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## FEDERAL HOUSING FINANCE BOARD

### 12 CFR Part 918

**[No. 2001–06]**

**RIN 3069–AB05**

### Maintenance of Effort—Minimum Number of Annual Bank Board of Directors Meetings

**AGENCY:** Federal Housing Finance Board.

**ACTION:** Interim final rule.

**SUMMARY:** The Federal Housing Finance Board (Finance Board) is amending the maintenance of effort provision of its regulations to eliminate the three-year averaging requirement and to reduce the required minimum number of in-person board of directors meetings that a Federal Home Loan Bank (Bank) must hold annually to six meetings.

**DATES:** The interim final rule shall become effective on May 14, 2001. The Finance Board will accept written comments on the interim final rule on or before June 13, 2001.

**ADDRESSES:** Address written comments to Elaine L. Baker, Secretary to the Board, by regular mail at the Federal Housing Finance Board, 1777 F Street, NW., Washington, DC 20006. Comments will be available for inspection at this address.

**FOR FURTHER INFORMATION CONTACT:** Scott L. Smith, Acting Director, at (202) 408–2991, Patricia L. Sweeney, Program Analyst, at (202) 408–2872, Office of Policy, Research, and Analysis; or Sharon B. Like, Senior Attorney-Advisor, at (202) 408–2930, Thomas Hearn, Senior Attorney-Advisor, at (202) 408–2976, Office of the General Counsel; or by regular mail at the Federal Housing Finance Board, 1777 F Street, NW., Washington, DC 20006. A telecommunications device for deaf persons (TDD) is available at (202) 408–2579.

**SUPPLEMENTARY INFORMATION:**

## I. Statutory and Regulatory Background

The Gramm-Leach-Bliley Act (GLB Act) amended section 7(i) of the Federal Home Loan Bank Act (Bank Act) (12 U.S.C. 1427(i)) by imposing specific limits on annual compensation for the Chairperson, Vice Chairperson, and other members of a Bank's board of directors. *See* GLB Act, § 606(b), Pub. L. No. 106–102, 113 Stat. 1338 (Nov. 12, 1999). Because the new statutory limits generally would result in most directors receiving less compensation than allowed under the then existing Finance Board regulation, for safety and soundness reasons, the Finance Board included in its interim final rule implementing the new statutory limits a requirement that each Bank's board of directors continue to maintain its level of oversight of the management of the Bank (maintenance of effort standard). The interim final rule further required that, consistent with this maintenance of effort standard, each Bank's board of directors must hold no fewer in-person meetings in any year than it held on average over the immediately preceding three years (three-year averaging requirement). *See* 64 FR 71275 (Dec. 21, 1999).

In the SUPPLEMENTARY INFORMATION section of the final rule that finalized the interim final rule, the Finance Board recognized that a pure averaging requirement incorporates the vagaries of timing into the calculation of the minimum meetings requirement for a particular Bank. *See* 65 FR 13663, 13664 (March 14, 2000). For that reason, in order to reflect the operational reality at the Banks regarding the average number of meetings held over the preceding three years, the Finance Board revised the minimum meetings requirement in § 918.7(a) of the final rule to the lesser of: (1) nine; or (2) the three-year averaging requirement. *See id.* In addition, § 918.7(b) of the final rule clarified that a Bank could apply to the Finance Board for a waiver of the minimum meetings requirement pursuant to the procedures of 12 CFR part 907. *See* 12 CFR 918.7(b).

## II. Analysis of Interim Final Rule

Since the maintenance of effort standard was adopted, the Finance Board has received several requests from Banks for waivers under § 918.7(b) to hold fewer annual in-person board of directors meetings than mandated by their three-year averaging requirement. Two Banks, in particular, have argued that they would be able to more efficiently and effectively conduct their business by holding only six annual in-person board meetings. The Banks indicated that they would be able to continue to maintain their level of oversight over the management of the Banks by conducting more business at fewer, but longer, board meetings, and/or placing greater reliance on board committees for the conduct of board business. The Banks noted that the three-year averaging requirement creates a standard that varies among the Banks. For example, one Bank, based on its three-year averaging requirement, already holds only six in-person board meetings annually.

Based on the experience with the minimum meetings requirement over the past year, the Finance Board is persuaded that the three-year averaging requirement should be eliminated from § 918.7(a)(2). In addition, based on the Banks' arguments that they can operate more efficiently and effectively, while continuing to maintain their level of oversight of the management of the Bank, with six annual in-person board meetings, the Finance Board is persuaded that it would be reasonable to reduce the minimum of nine meetings in § 918.7(a)(1) to six meetings.[1]

The Finance Board also surveyed the number of board of directors meetings held in 1999 by 12 bank holding companies with total assets ranging from $11.0 billion to $99.8 billion, four thrift institution holding companies with total assets ranging from $35 billion to $186.5 billion, and two housing Government-Sponsored Enterprises (GSEs)—the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac)—with total assets of $575.2 billion and $386.7 billion, respectively. In 1999, the total assets of the 12 Banks ranged from $24.4 billion to $115.9 billion. The number of directors on the boards of the financial institution holding companies, Fannie Mae and Freddie Mac generally ranged from 14 to 18, which is

[1] Of course, a Bank's board may, in its discretion, continue to consider its three-year average, along with other factors, in determining it annual number of meetings, provided that number is no less than six.

comparable in size to the number of directors serving on the boards of the Banks. For only two of the bank holding companies, the board was comprised of 12 directors, and for a third bank holding company, the board was comprised of 21 directors. The number of board meetings for the bank holding companies ranged from 4 to 12, averaging 7.33 meetings in 1999. The number of board meetings for the thrift institution holding companies ranged from 4 to 9, averaging 7.00 meetings in 1999. Fannie Mae held 8 board meetings in 1999, and Freddie Mac held 5 board meetings in 1999.

In short, requiring at least six in-person Bank board of directors meetings in any year is within the range of the number of annual board meetings held by financial institution holding companies and other housing GSEs. Providing the boards of the Banks with greater discretion in determining the number of board meetings to hold annually also is consistent with the GLB Act's emphasis on devolving governance issues to the Banks.

Although the interim final rule reduces the minimum meetings requirement, § 918.7(a) still requires the board of directors of a Bank to continue to maintain its level of oversight of the management of the Bank, notwithstanding the limits on annual directors' compensation established by section 7(i) of the Bank Act. See 12 U.S.C. 1427(i). Therefore, if a Bank's board intends to hold fewer annual in-person board meetings than it has held in past years, it would be in the board's best interest to document how it will continue to meet the maintenance of effort standard and its fiduciary duties regarding the Bank's safety and soundness.

The interim final rule also removes the waiver provision of § 918.7(b), since the right to seek a waiver generally of Finance Board regulatory provisions is already provided for in 12 CFR part 907.

## III. Regulatory Flexibility Act

Because no notice of proposed rulemaking is required for this interim final rule, the provisions of the Regulatory Flexibility Act, 5 U.S.C. 601 *et seq.*, do not apply.

## IV. Notice and Public Participation

Because of the exigency of the Banks setting their schedules of board of directors meetings for 2001, the Finance Board finds for good cause that the notice and public comment procedure required by the Administrative Procedure Act is impracticable, unnecessary, or contrary to the public interest in this instance. See 5 U.S.C. 553(b)(B). The Finance Board welcomes written comments on this interim final rule.

## V. Paperwork Reduction Act

This interim final rule does not contain any collections of information pursuant to the Paperwork Reduction Act of 1995. *See* 44 U.S.C. 601 *et seq.* Therefore, the Finance Board has not submitted any information to the Office of Management and Budget for review.

## List of Subjects in 12 CFR Part 918

Federal home loan banks, Reporting and recordkeeping requirements, Wages.

Accordingly, the Finance Board hereby amends title 12, chapter IX, part 918, Code of Federal Regulations, as follows:

1. The authority citation for part 918 continues to read as follows:

**Authority:** 12 U.S.C. 1422b(a), and 1427.

2. Revise § 918.7 to read as follows:

### § 918.7 Maintenance of effort.

Notwithstanding the limits on annual directors' compensation established by section 7(i) of the Act, as amended, the board of directors of each Bank shall continue to maintain its level of oversight of the management of the Bank. In maintaining its level of oversight, the board of directors of a Bank shall hold at least six in-person meetings in any year.

Dated: May 2, 2001.

By the Board of Directors of the Federal Housing Finance Board.

**Allan I. Mendelowitz,**

*Chairman.*

[FR Doc. 01–11993 Filed 5–11–01; 8:45 am]

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## DEPARTMENT OF COMMERCE

## Bureau of Export Administration

## 15 CFR Part 744

**[Docket No. 9704–28099–0127–10]**

**RIN 0694–AB60**

## Entity List: Revisions and Additions

**AGENCY:** Bureau of Export Administration, Commerce.

**ACTION:** Final rule.

**SUMMARY:** The Export Administration Regulations (EAR) provide that the Bureau of Export Administration (BXA) may inform exporters, individually or through amendment to the EAR, that a license is required for exports or reexports to certain entities. The EAR contain a list of such entities called the Entity List. This rule adds to the Entity List twelve entities located in the People's Republic of China (PRC). This rule also modifies three Russian entity listings and one Chinese entity listing, and makes one correction to an Israeli entity.

**EFFECTIVE DATE:** This rule is effective May 14, 2001.

**FOR FURTHER INFORMATION CONTACT:** Eileen M. Albanese, Office of Exporter Services, Bureau of Export Administration, Telephone: (202) 482–0436.

**SUPPLEMENTARY INFORMATION:**

## Background

General Prohibition Five (§ 736.2(b)(5) of the EAR) prohibits exports and reexports to certain end-users or end-uses (described in part 744 of the EAR) without a license. In the form of Supplement No. 4 to part 744, BXA maintains an ''Entity List'' to provide notice informing the public of certain entities subject to such licensing requirements.

There are three levels of license requirements for the twelve entities added to the Entity List by this rule. A license will be required for the export or reexport of all items subject to the EAR having a classification other than EAR99 to the following two PRC entities: Baotou Guanghua Chemical Industrial Corporation and Xian Research Institute of Navigation Technology. A license will be required for the export or reexport of all items subject to the EAR to the following five PRC entities: 13 Institute, China Academy of Launch Vehicle Technology, (CALT), aka 713 Institute or Beijing Institute of Control Devices, PRC; Beijing Power Machinery Institute, PRC; Beijing University of Aeronautics and Astronautics (BUAA), PRC; First Department, China Academy of Launch Vehicle Technology, (CALT), PRC; and Xiangdong Machinery Factory, PRC. A license will be required for the export or reexport of all items subject to the EAR having a classification other than EAR99 or a classification where the third through fifth digits are ''999'' of the ECCN, *e.g.,* XX999 to the following five PRC entities: 35 Institute, aka Beijing Huahang Radio Measurements Research Institute; 33 Institute, aka Beijing Institute of Automatic Control Equipment; Southwest Research Institute of Electronics Technology, Chengdu; Northwestern Polytechnical University; and 54th Research Institute of China, aka Communication, Telemetry and Telecontrol Research Institute (CTI).

License applications to export or reexport these items to all but one of the