available through the Internet by USDA and the Office of the Federal Register. That rule provided for a 15-day comment period which ended on August 22, 2007. One comment supporting the rule was received. The commenter concurred that this action helps to maintain the integrity of the order.

A small business guide on complying with fruit, vegetable, and specialty crop marketing agreements and orders may be viewed at: *http://www.ams.usda.gov/fv/moab.html*. Any questions about the compliance guide should be sent to Jay Guerber at the previously mentioned address in the **FOR FURTHER INFORMATION CONTACT** section.

After consideration of all relevant materials presented, including the Committee's recommendation, and other information, it is found that finalizing this interim final rule, without change, as published in the **Federal Register** (72 FR 44029, August 7, 2007), will tend to effectuate the declared policy of the Act.

List of Subjects in 7 CFR Part 989

Grapes, Marketing agreements, Raisins, Reporting and recordkeeping requirements.

PART 989—RAISINS PRODUCED FROM GRAPES GROWN IN CALIFORNIA

■ Accordingly, the interim final rule amending 7 CFR part 989 which was published at 72 FR 44029 on August 7, 2007, is adopted as a final rule without change.

Dated: September 19, 2007.

Lloyd C. Day,

Administrator, Agricultural Marketing Service.

[FR Doc. E7–18794 Filed 9–24–07; 8:45 am]

BILLING CODE 3410–02–P

DEPARTMENT OF AGRICULTURE

Agricultural Marketing Service

7 CFR Part 989

[Docket No. AMS–FV–07–0071; FV07–989–2 FR]

Raisins Produced From Grapes Grown in California; Use of Estimated Trade Demand To Compute Volume Regulation Percentages

AGENCY: Agricultural Marketing Service, USDA.

ACTION: Final rule.

SUMMARY: This rule provides for use of an estimated trade demand figure to compute volume regulation percentages for 2007–08 crop Natural (sun-dried) Seedless (NS) raisins covered under the Federal marketing order for California raisins (order). The order regulates the handling of raisins produced from grapes grown in California and is administered locally by the Raisin Administrative Committee (Committee). This rule provides parameters for implementing volume regulation for 2007–08 crop NS raisins, if supplies are short, for the purposes of maintaining a portion of the industry's export markets and stabilizing the domestic market.

EFFECTIVE DATE: September 26, 2007.

FOR FURTHER INFORMATION CONTACT: Rose M. Aguayo, Marketing Specialist, or Kurt J. Kimmel, Regional Manager, California Marketing Field Office, Marketing Order Administration Branch, Fruit and Vegetable Programs, AMS, USDA; Telephone: (559) 487–5901, Fax: (559) 487–5906, or E-mail: *Rose.Aguayo@usda.gov* or *Kurt.Kimmel@usda.gov*.

Small businesses may request information on complying with this regulation by contacting Jay Guerber, Marketing Order Administration Branch, Fruit and Vegetable Programs, AMS, USDA, 1400 Independence Avenue, SW., STOP 0237, Washington, DC 20250–0237; Telephone: (202) 720–2491, Fax: (202) 720–8938, or E-mail: *Jay.Guerber@usda.gov*.

SUPPLEMENTARY INFORMATION: This final rule is issued under Marketing Agreement and Order No. 989 (7 CFR part 989), both as amended, regulating the handling of raisins produced from grapes grown in California, hereinafter referred to as the ''order.'' The order is effective under the Agricultural Marketing Agreement Act of 1937, as amended (7 U.S.C. 601–674), hereinafter referred to as the ''Act.''

The Department of Agriculture (USDA) is issuing this rule in conformance with Executive Order 12866.

This final rule has been reviewed under Executive Order 12988, Civil Justice Reform. This rule is applicable to the 2007–08 crop year, which began on August 1, 2007, and runs through July 31, 2008. This final rule will not preempt any State or local laws, regulations, or policies, unless they present an irreconcilable conflict with this rule.

The Act provides that administrative proceedings must be exhausted before parties may file suit in court. Under section 608c(15)(A) of the Act, any handler subject to an order may file with USDA a petition stating that the order, any provision of the order, or any obligation imposed in connection with the order is not in accordance with law and request a modification of the order or to be exempted therefrom. A handler is afforded the opportunity for a hearing on the petition. After the hearing, USDA would rule on the petition. The Act provides that the district court of the United States in any district in which the handler is an inhabitant, or has his or her principal place of business, has jurisdiction to review USDA's ruling on the petition, provided an action is filed not later than 20 days after the date of the entry of the ruling.

This final rule provides for use of an estimated trade demand figure to compute volume regulation percentages for 2007–08 crop NS raisins covered under the order. This rule provides parameters for implementing volume regulation for 2007–08 crop NS raisins, if supplies are short, for the purposes of maintaining a portion of the industry's export markets and stabilizing the domestic market. This action was unanimously recommended by the Committee at a meeting on April 12, 2007.

Volume Regulation Authority

The order provides authority for volume regulation designed to promote orderly marketing conditions, stabilize prices and supplies, and improve producer returns. When volume regulation is in effect, a certain percentage of the California raisin crop may be sold by handlers to any market (free tonnage), while the remaining percentage must be held by handlers in a reserve pool (reserve) for the account of the Committee. Reserve raisins are disposed of through certain programs authorized under the order. For instance, reserve raisins may be sold by the Committee to handlers for free use or to replace part of the free tonnage raisins they exported; used in diversion programs; carried over as a hedge against a short crop the following year; or disposed of in other outlets not competitive with those for free tonnage raisins, such as government purchase, distilleries, or animal feed. Net proceeds from sales of reserve raisins are distributed to the reserve pool's equity holders, primarily producers.

Section 989.54 of the order prescribes procedures and time frames to be followed in establishing volume regulation for each crop year, which runs from August 1 through July 31. The Committee must meet by August 15 to review data regarding raisin supplies. At that time, the Committee computes a trade demand for each varietal type of raisins for which a free tonnage percentage might be recommended.

Trade demand is equal to 90 percent of the prior year's domestic and export shipments, adjusted by subtracting carryin inventory from the prior year and adding a desirable carryout inventory for the end of the current year.

By October 5, the Committee must announce preliminary crop estimates and determine whether volume regulation is warranted for the varietal types for which it computed trade demands. Preliminary volume regulation percentages are then computed to release 85 percent of the computed trade demand if a field price has been established or 65 percent of the trade demand if no field price has been established. Field price is the price that handlers pay for raisins from producers. By February 15, the Committee must recommend final free and reserve percentages that will tend to release the full trade demand.

The order also requires that, when volume regulation is in effect, two offers of reserve raisins must be made available to handlers for free use. These offers are known as the ''10 plus 10'' offers. Each offer consists of a quantity of reserve raisins equal to 10 percent of the prior year's shipments. The order also specifies that ''10 plus 10'' raisins must be sold to handlers at the current field price plus a 3 percent surcharge and Committee costs.

Development of Export Markets

With the exception of 11 crop years, volume regulation has been utilized for NS raisins since the order's inception in 1949. The procedures for determining volume regulation percentages have been modified over the years to address the industry's needs. In the past, volume regulation has been utilized primarily to help the industry manage an oversupply of raisins. Through the use of various marketing programs operated through reserve pools and other promotional activities, the industry has also developed its export markets.

Between 1980 and 1985, exports of California NS raisins averaged about 26 percent (53,700 packed tons, or raisins which have been processed) of the industry's total NS raisin shipments (207,600 packed tons, excluding government purchases) per year. During the last nine years (1997–2005) these exports averaged about 37 percent (105,000 packed tons) of the industry's total NS raisin shipments (282,000 packed tons, excluding government purchases) per year.

Export Replacement Offer

One market development program operated through reserve pools, the Export Replacement Offer (ERO), has helped U.S. raisins to be price competitive in export markets. Prices in export markets are generally lower than the domestic market. The ERO began in the early 1980s as a ''raisin-back'' program whereby handlers who exported California raisins could purchase, at a reduced price, reserve raisins for free use. This effectively blended down the cost of the raisins that were exported. The NS raisin ERO was changed to a ''cash-back'' program in 1996 whereby handlers could receive cash from the reserve pool for export shipments.

The NS ERO operated as a ''cash back'' program in all years since then, except for 2000, 2001, and a portion of 2002. During 2002 both ''cash back'' and ''raisin back'' programs were implemented. Financing for the cash-back ERO program has been primarily from the Committee's ''10 plus 10'' sales of reserve raisins. Under the 2002, 2003, 2004, and 2005 cash-back ERO programs an average of $39.7 million of reserve pool funds per year were utilized to support the export of about 103,000 packed tons of NS raisins annually.

Current Industry Situation—Declining Production

Raisin deliveries reached an all time high in 2000–01 at 432,616 natural condition tons. Deliveries for the subsequent two years (2001–02 and 2002–03) remained high at 377,328 and 388,010 natural conditions tons, respectively. Producer prices dropped dramatically during these years of high production. In the years to follow, grape production declined because of poor grower returns in the wine and raisin segments of the industry. Raisin deliveries for the 2003–04 through the 2005–06 crop year averaged 293,750 natural condition tons. Deliveries for the recently completed 2006–07 crop year fell to 282,999 natural condition tons. Since 2000, about 40,000 producing acres of grape vines have been removed in favor of other crops, which have provided higher returns.

The Committee is concerned that the 2007–08 crop may be short because of grape vine removals over the last several years and an April frost. As a result, volume regulation may not be warranted based on the order's computed trade demand formula. If no 2007–08 reserve were established, the industry would not be able to continue the ERO program and support its export sales. The Committee is concerned that the industry could lose a significant portion, perhaps 50 percent, of its export markets. Further, handlers who could not sell their raisins in export may sell their raisins domestically. Annual domestic shipments of NS raisins for the past 9 years have averaged about 177,000 packed tons. The Committee is concerned that additional raisins sold into the domestic market could create instability.

Thus, the Committee formed a working group to review this issue and consider options to continue to support its export sales while maintaining stability in the domestic market. After its meeting on February 1, 2007, the working group presented its recommendation to the subcommittee, and then, in turn, to the Committee. At a meeting on April 12, 2007, the Committee unanimously recommended using an estimated trade demand rather than a computed trade demand to calculate the 2007–08 NS raisin crop volume regulation percentages, if the crop size falls within certain parameters. Section 989.154(b) of the order's administrative rules and regulations is revised accordingly by replacing ''1999–2000'' with ''2007–08'' and ''235,000'' with ''215,000.''

Implementing Volume Regulation If Supplies Are Short To Maintain the ERO

Section 989.54(e) contains a list of factors that the Committee must consider when computing volume regulation percentages. Factor (4) states that the Committee must consider, if different than the computed trade demand, the estimated trade demand for raisins in free tonnage outlets. The Committee recommended using an estimated trade demand figure for 2007–08 crop NS raisins, which is a figure different than the computed trade demand, to compute volume regulation percentages to create a reserve if supplies are short. This will allow the Committee to continue its ERO program, thereby maintaining a portion of its export sales and stabilizing the domestic market.

Specifically, the Committee recommended that an estimated trade demand be utilized to compute preliminary, interim, and final free and reserve percentages for 2007–08 crop NS raisins if the crop estimate is equal to, less than, or no more than 10 percent greater than the trade demand as computed according to the formula specified in § 989.54(a) of the order. If an estimated trade demand figure is utilized, the final reserve percentage will be no more than 10 percent. Finally, volume regulation will not be implemented if the 2007–08 crop estimate is below 215,000 natural condition tons.

Crop Estimate Below 215,000 Tons—No Regulation

To illustrate how this would work, the Committee met on August 14, 2007, and computed a trade demand for 2007–08 NS raisins of 232,822 natural condition tons. The Committee must meet by October 5 to announce a NS crop estimate and determine whether volume regulation is warranted. If the 2007–08 crop estimate is under 215,000 natural condition tons, volume regulation will not be recommended. With a crop of 215,000 natural condition tons, and 105,430 natural condition tons of NS raisins carried forward from the 2006–07 crop year, a supply of about 320,430 natural condition tons of raisins would be available for the 2007–08 crop year. As previously mentioned, annual NS raisin shipments average about 282,000 packed tons (about 300,000 natural condition tons), excluding government purchases.

With an available supply of only 320,430 natural condition tons of NS raisins, the Committee believes that the industry's first priority would be to satisfy the needs of the domestic market, which absorbs annually an average of about 177,000 packed tons (188,000 natural condition tons). Assuming that 188,000 natural condition tons were shipped domestically, the Committee estimates that, with no ERO program to help U.S. raisins be price competitive in export markets, the industry would export about half of its usual tonnage, or about 56,000 natural condition tons. The remaining 76,430 natural condition tons would likely be held in inventory for the following 2008–09 crop year. Annual carryout inventory for NS raisins for the past 9 years has averaged about 108,000 natural condition tons.

Crop Estimate Between 215,000 Tons and 10 Percent Above the Computed Trade Demand—Volume Regulation

If the 2007–08 crop estimate for NS raisins falls between 215,000 natural condition tons and 10 percent above the computed trade demand, the Committee will use an estimated trade demand figure to compute preliminary free and reserve percentages for the 2007–08 crop. Thus, using the 232,822 natural condition ton computed trade demand figure, an estimated trade demand would be used to compute volume regulation percentages if the crop estimate falls between 215,000 and 256,104.2 natural condition tons.

The order specifies that preliminary percentages compute to release 85 percent of the computed trade demand as free tonnage once a field price is established. Producers are paid the field price for their free tonnage. Normally, when preliminary percentages are computed, producers receive an initial payment from handlers for 85 percent of the computed trade demand (or 65 percent of the trade demand if no field price has been established). Using the 232,822 natural condition ton computed trade demand figure, this equates to 197,899 natural condition tons. However, if an estimated trade demand figure were utilized to compute preliminary percentages, for example—215,000 tons, producers would receive an initial payment from handlers for only 182,750 natural condition tons, or 78.5 percent of the computed trade demand.

The Committee is concerned with the preliminary percentage computation using an estimated trade demand and its impact on producer returns. The Committee wants to ensure that the producers receive the field price for as much of their crop as possible while still establishing a small pool of reserve raisins to maintain the ERO. The Committee must meet by February 15 to compute final free and reserve percentages. The Committee recommended that if an estimated trade demand figure is used to compute percentages, the final reserve percentage compute to equal no more than 10 percent of the estimated crop. Producers will ultimately be paid the field price for 90 percent of their crop, or their free tonnage.

The remaining 10 percent of the crop would be held in reserve and offered for sale to handlers in the ''10 plus 10'' offers. As previously described, the ''10 plus 10'' offers are two offers of reserve raisins that are made available to handlers for free use. The order specifies that each offer consists of a quantity of reserve raisins equal to 10 percent of the prior year's shipments. This requirement would not be met if volume regulation were implemented when raisin supplies were short. However, all of the raisins held in reserve would be made available to handlers for free use. Handlers would pay the Committee for the ''10 plus 10'' raisins and that money would be utilized to fund a 2007–08 ERO program. Any unused 2007–08 reserve pool funds could be used to initiate a 2008–09 ERO program or to make a grower payment to the 2007–08 reserve pool growers.

Crop Estimate More Than 10 Percent Above the Computed Trade Demand

Finally, the Committee recommended that, if the 2007–08 crop estimate is more than 10 percent greater than the computed trade demand (or above 256,104.2 natural condition tons), the computed trade demand of 232,822 natural condition tons will be utilized to compute volume regulation percentages. Under this scenario, enough raisins (over 23,000 natural condition tons) would be available in reserve to continue the ERO program.

It is anticipated that allowing the use of an estimated trade demand figure to compute volume regulation percentages for 2007–08 crop NS raisins if supplies are short will assist the industry in maintaining a portion of its export markets and stabilize the domestic market. If the crop estimate is below 215,000 natural condition tons, no volume regulation will be implemented. If this occurs, it is anticipated that domestic market needs would be met, while export markets would likely not be satisfied.

However, if the crop falls between 215,000 natural condition tons and 256,104.2 tons, establishing a small reserve pool would allow the industry to not only satisfy the needs of the domestic market, but also maintain a portion of its export sales, which now account for about 37 percent of the industry's annual shipments. By maintaining an ERO program, even at a reduced level, exporters could continue to be price competitive and sell their raisins abroad. The domestic market would remain stable because it would not have to absorb any additional raisins that handlers could not afford to sell in export markets.

Final Regulatory Flexibility Analysis

Pursuant to requirements set forth in the Regulatory Flexibility Act (RFA), the Agricultural Marketing Service (AMS) has considered the economic impact of this action on small entities. Accordingly, AMS has prepared this final regulatory flexibility analysis.

The purpose of the RFA is to fit regulatory actions to the scale of business subject to such actions in order that small businesses will not be unduly or disproportionately burdened. Marketing orders issued pursuant to the Act, and rules issued thereunder, are unique in that they are brought about through group action of essentially small entities acting on their own behalf.

There are approximately 23 handlers of California raisins who are subject to regulation under the order and approximately 4,000 raisin producers in the regulated area. Small agricultural service firms have been defined by the Small Business Administration (13 CFR 121.201) as those having annual receipts of less than $6,500,000, and small agricultural producers are defined as those having annual receipts of less than $750,000. No more than 10 handlers, and a majority of producers, of California raisins may be classified as small entities. Thirteen of the 23 handlers subject to regulation have annual sales estimated to be at least $6,500,000, and the remaining 10 handlers have sales less than $6,500,000.

This rule revises § 989.154(b) of the order's administrative rules and regulations by changing the parameters for using an estimated trade demand figure specified in § 989.54(e)(4) of the order to compute volume regulation percentages for 2007–08 crop NS raisins. Section 989.154(b) provides guidelines for the use of volume regulation if 2007–08 NS raisin supplies are short for the purposes of maintaining a portion of the industry's export markets and stabilizing the domestic market.

Regarding the impact of the action on producers and handlers, if an estimated trade demand figure is used to compute volume regulation percentages, the final reserve percentage would compute to no more than 10 percent. Producers would thus be paid the field price for at least 90 percent of their crop, but would not be paid the field price for about 10 percent of their crop that would go into a reserve pool. The field price for NS raisins for the past 5 years has averaged $1,073 per ton. Handlers in turn would purchase 90 percent of their raisins directly from producers at the field price, but would have to buy remaining raisins out of the reserve pool at a higher price (field price plus 3 percent and Committee costs). The ''10 plus 10'' price of NS reserve raisins has averaged about $100 higher than the field price for the past 9 years, or $1,173 per ton. Proceeds from the ''10 plus 10'' sales would be used to support export sales.

While there may be some initial costs for both producers and handlers, the long term benefits of this action far outweigh the costs. The Committee believes that with no reserve pool, and hence, no ERO program, export sales would decline dramatically, perhaps up to 50 percent. Handlers would likely sell into the domestic market raisins that they were unable to sell into lower priced export markets. Additional NS raisins sold into the domestic market, which typically absorbs about 177,000 packed tons, could create instability. The industry would likely lose a substantial portion of its export markets, which now account for about 37 percent (105,000 packed tons) of the industry's annual shipments (282,000 packed tons), excluding government purchases). Committee members have also commented that, once export markets were lost, it would be difficult and costly for the industry to recover those sales. Raisins are mostly used as an ingredient in baked goods, cereals, and snacks. Typically, buyers want reliable suppliers from year to year and are generally reluctant to find alternative ingredients or sources. In turn, once buyers change sources, they may not switch back.

Export markets for raisins are highly competitive. The U.S. and Turkey are the world's leading producers of raisins. Turkey exports approximately 80 percent of its total production, and represents an alternative product source for raisin buyers.

Maintaining the industry's export markets will help the industry maximize its 2007–08 total shipments of NS raisins and prevent handlers from carrying forward large quantities of inventory into the 2008–09 crop year. If the industry is unable to maximize its 2007–08 shipments of NS raisins, carryin inventory could be high, which would result in a lower computed trade demand figure for the 2008–09 crop year. A lower trade demand would lower the free tonnage percentage. Since NS raisin producers are paid significantly more for their free tonnage than for reserve tonnage, a lower free tonnage percentage could reduce returns to producers. Projected reduced 2008–09 returns to producers, coupled with the risks of rain and labor shortages during harvest, may influence producers to ''go green,'' or sell their raisin-variety grapes to the fresh-grape, wine, or juice concentrate markets. Additional supplies to those outlets could potentially reduce ''green'' returns as well.

An alternative to the proposed action was considered by the industry. As previously mentioned, the Committee formed a working group to address its concerns. The working group considered utilizing the computed trade demand formula in the order and utilizing about $7.5 million of available funds of the 2005–06 reserve pool and about 20,000 tons of natural condition raisins remaining in the 2006–07 reserve pool in April 2007 to fund the ERO. However, the Committee decided that sufficient assets would not be available to fund the 2007–08 crop NS raisin ERO. The Committee's assets are not sufficient because there was no 2004–05 reserve, and funds from the 2005–06 and 2006–07 pools will ultimately fund the 2007–08 ERO program only until about March 2008.

Thus, after much discussion, the working group ultimately recommended to the Committee using an estimated trade demand to compute volume regulation percentages if 2007–08 crop NS raisin supplies are short.

This action will not impose any additional reporting or recordkeeping requirements on either small or large raisin handlers. As with all Federal marketing order programs, reports and forms are periodically reviewed to reduce information requirements and duplication by industry and public sector agencies.

AMS is committed to complying with the E-Government Act, to promote the use of the Internet and other information technologies to provide increased opportunities for citizen access to Government information and services, and for other purposes.

As noted in the initial regulatory flexibility analysis, USDA has not identified any relevant Federal rules that duplicate, overlap or conflict with this final rule.

In addition, the Committee's working group meeting held on February 1, 2007, and the subcommittee and Committee meetings on April 12, 2007, were widely publicized throughout the raisin industry and all interested persons were invited to attend the meetings and participate in Committee deliberations on all issues. Like all Committee meetings, the February 1 and April 12, 2007, meetings were public meetings and all entities, both large and small, were able to express views on this issue.

A proposed rule concerning this action was published in the **Federal Register** on August 1, 2007 (72 FR 41948). Copies of the rule were mailed or sent via facsimile to all Committee members and raisin handlers. Finally, the rule was made available through the Internet by USDA and the Office of the Federal Register. A 15-day comment period ending August 16, 2007, was provided to allow interested persons to respond to the proposal. No comments were received.

A small business guide on complying with fruit, vegetable, and specialty crop marketing agreements and orders may be viewed at: *http://www.ams.usda.gov/fv/moab/html*. Any questions about the compliance guide should be sent to Jay Guerber at the previously mentioned address in the **FOR FURTHER INFORMATION CONTACT** section.

After consideration of all relevant matters presented, including the information and recommendation submitted by the Committee and other available information, it is hereby found that this rule, as hereinafter set forth, will tend to effectuate the declared policy of the Act.

It is further found that good cause exists for not postponing the effective date of this rule until 30 days after publication in the **Federal Register** (5 U.S.C. 553) because the 2007–08 crop year began on August 1, 2007, and this action must be in place by the time the Committee meets to consider whether volume regulation is warranted for 2007–08 NS raisins (on or before October 5, 2007). Further, handlers are aware of this rule, which was unanimously recommended at a public meeting. Also, a 15-day comment period was provided for in the proposed rule and no comments were received.

List of Subjects in 7 CFR Part 989

Grapes, Marketing agreements, Raisins, Reporting and recordkeeping requirements.

■ For the reasons set forth in the preamble, 7 CFR part 989 is amended as follows:

PART 989—RAISINS PRODUCED FROM GRAPES GROWN IN CALIFORNIA

■ 1. The authority citation for 7 CFR part 989 continues to read as follows:

Authority: 7 U.S.C. 601–674.

■ 2. Section 989.154, paragraph (b) is revised to read as follows:

§ 989.154 Marketing policy computations.

* * * * *

(b) *Estimated trade demand.* Pursuant to § 989.54 (e)(4), estimated trade demand is a figure different than the trade demand computed according to the formula in § 989.54(a). The Committee shall use an estimated trade demand to compute preliminary and interim free and reserve percentages, or determine such final percentages for recommendation to the Secretary for 2007–08 crop Natural (sun-dried) Seedless (NS) raisins if the crop estimate is equal to, less than, or no more than 10 percent greater than the computed trade demand: *Provided,* That the final reserve percentage computed using such estimated trade demand shall be no more than 10 percent, and no reserve shall be established if the final 2007–08 NS raisin crop estimate is less than 215,000 natural condition tons.

Dated: September 20, 2007.

Lloyd C. Day,

Administrator, Agricultural Marketing Service.

[FR Doc. 07–4722 Filed 9–20–07; 1:38 pm]

BILLING CODE 3410–02–P

DEPARTMENT OF THE TREASURY

Office of the Comptroller of the Currency

12 CFR Part 4

[Docket ID OCC–2007–00014]

RIN 1557–AD02

FEDERAL RESERVE SYSTEM

12 CFR Parts 208 and 211

[Docket No. R–1279]

FEDERAL DEPOSIT INSURANCE CORPORATION

12 CFR Parts 337 and 347

RIN 3064–AD17

DEPARTMENT OF THE TREASURY

Office of Thrift Supervision

12 CFR Part 563

[Docket ID OTS–2007–0011]

Expanded Examination Cycle for Certain Small Insured Depository Institutions and U.S. Branches and Agencies of Foreign Banks

AGENCIES: Office of the Comptroller of the Currency (OCC); Board of Governors of the Federal Reserve System (Board); Federal Deposit Insurance Corporation (FDIC); and Office of Thrift Supervision (OTS), Treasury.

ACTION: Final rules.

SUMMARY: The OCC, Board, FDIC, and OTS (collectively, the Agencies) are jointly adopting as final the interim rules issued on April 10, 2007, that implemented section 605 of the Financial Services Regulatory Relief Act of 2006 (FSRRA) and related legislation (collectively the Examination Amendments). The Examination Amendments permit insured depository institutions (institutions) that have up to $500 million in total assets, and that meet certain other criteria, to qualify for an 18-month (rather than 12-month) on-site examination cycle. Prior to enactment of FSRRA, only institutions with less than $250 million in total assets were eligible for an 18-month on-site examination cycle. The interim rules made parallel changes to the Agencies' regulations governing the on-site examination cycle for U.S. branches and agencies of foreign banks (foreign bank offices), consistent with the International Banking Act of 1978 (IBA). In addition to implementing the changes in the Examination Amendments, the interim rules clarified when a small insured depository institution is considered ''well managed'' for purposes of qualifying for an 18-month examination cycle.

DATES: Effective on September 25, 2007, the Interim Rules published on April 10, 2007 (72 FR 17798) are adopted as final without change.

FOR FURTHER INFORMATION CONTACT:

OCC: Mitchell Plave, Counsel, Legislative and Regulatory Activities Division, (202) 874–5090; Stuart E. Feldstein, Assistant Director, Legislative and Regulatory Activities, (202) 874–5090; Fred Finke, Mid-size/Community Bank Supervision, (202) 874–4468; Patricia Roberts, Operational Risk Policy Analyst, (202) 874–5637.

Board: Barbara Bouchard, Deputy Associate Director, (202) 452–3072, Mary Frances Monroe, Manager, (202) 452–5231, or Stanley Rediger, Supervisory Financial Analyst, (202) 452–2629, Division of Banking Supervision and Regulation; or Pamela G. Nardolilli, Senior Counsel, (202) 452–3289, for the revisions to Regulation H, or Jon Stoloff, Senior Counsel, (202) 452–3269, for the revisions to Regulation K, Legal Division. For users of Telecommunication Device for the Deaf (TDD) only, contact (202) 263–4869.

FDIC: Melinda West, Senior Examination Specialist, (202) 898–7221; Patricia A. Colohan, Senior Examination Specialist, (202) 898–7283; Division of Supervision and Consumer Protection; Rodney D. Ray, Counsel, (202) 898–3556, for the revisions to 12 CFR Part 347; Kimberly A. Stock, Senior Attorney, (202) 898–3815, for the revisions to 12 CFR Part 337; Legal Division.

OTS: Robyn H. Dennis, Director, Operation Risk, (202) 906–5751, Examinations and Supervision Policy Office of Thrift Supervision, 1700 G Street, NW., Washington, DC 20552.

SUPPLEMENTARY INFORMATION:

I. Background

Section 10(d) of the Federal Deposit Insurance Act (the FDI Act)[1] generally requires that the appropriate Federal banking agency for an insured depository institution conduct a full-scope, on-site examination of the institution at least once during each 12-month period. Prior to enactment of FSRRA, section 10(d) also authorized the appropriate Federal banking agency to lengthen the on-site examination

[1] Section 10(d) of the FDI Act was added by section 111 of the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) and is codified at 12 U.S.C. 1820(d).