of § 201.3(a) should be captured by all livestock producers, swine production contract growers, and poultry growers.

Based on the above analyses regarding § 201.3(a), GIPSA certifies that this rule is not expected to have a significant economic impact on a substantial number of small business entities as defined in the Regulatory Flexibility Act (5 U.S.C. 601 et seq.). While confident in this certification, GIPSA acknowledges that individual businesses may have relevant data to supplement our analysis. We would encourage small stakeholders to submit any relevant data during the comment period.

B. Executive Order 12988

This interim final rule has been reviewed under Executive Order 12988, Civil Justice Reform. These actions are not intended to have retroactive effect, although in some instances they merely reiterate GIPSA’s previous interpretation of the P&S Act. This interim final rule will not pre-empt state or local laws, regulations, or policies, unless they present an irreconcilable conflict with this rule. There are no administrative procedures that must be exhausted prior to any judicial challenge to the provisions of this rule. Nothing in this interim final rule is intended to interfere with a person’s right to enforce liability against any person subject to the P&S Act under authority granted in section 308 of the P&S Act.

C. Executive Order 13175

This rule has been reviewed in accordance with the requirements of Executive Order 13175, “Consultation and Coordination with Indian Tribal Governments.” Executive Order 13175 requires Federal agencies to consult and coordinate with tribes on a government-to-government basis on policies that have tribal implications, including regulations, legislative comments or proposed legislation, and other policy statements or actions that have substantial direct effects on one or more Indian tribes, on the relationship between the Federal Government and Indian tribes or the distribution of power and responsibilities between the Federal Government and Indian tribes.

Although GIPSA has assessed the impact of this rule on Indian tribes and determined that this rule does not, to our knowledge, have tribal implications that require tribal consultation under Executive Order 13175, GIPSA offered opportunities to meet with representatives from Tribal Governments during the comment period for the proposed rule (June 22 to November 22, 2010) with specific opportunities in Rapid City, South Dakota, on October 28, 2010, and Oklahoma City, Oklahoma on November 3, 2010. All tribal headquarters were invited to participate in these venues for consultation. GIPSA has received no specific indication that the rule will have tribal implications and has received no further requests for consultation as of the date of this publication. If a Tribe requests consultation, GIPSA will work with the Office of Tribal Relations to ensure meaningful consultation is provided where changes, additions, and modifications herein are not expressly mandated by Congress.

D. Paperwork Reduction Act

This interim final rule does not contain new or amended information collection requirements subject to the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 et seq.). It does not involve collection of new or additional information by the federal government.

E. E-Government Act Compliance

GIPSA is committed to compliance 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.

List of Subjects in 9 CFR Part 201

Contracts, Livestock, Poultry, Trade practices.

For the reasons set forth in the preamble, we amend 9 CFR part 201 as follows:

PART 201—REGULATIONS UNDER THE PACKERS AND STOCKYARDS ACT

1. The authority citation for part 201 continues to read as follows:


2. Section 201.3 is amended by redesignating the existing text as paragraph (b), adding new paragraph (a), and adding a heading to paragraph (b) to read as follows:

§ 201.3 Applicability of regulations in this part.

(a) Scope of sections 202(a) and (b) of the Act. The appropriate application of sections 202(a) and (b) of the Act depends on the nature and circumstances of the challenged conduct or action. A finding that the challenged conduct or action adversely affects or is likely to adversely affect competition is not necessary in all cases. Certain conduct or action can be found to violate sections 202(a) and/or (b) of the Act without a finding of harm or likely harm to competition.

(b) Effective dates.

Larry Mitchell,
Administrator, Grain Inspection, Packers and Stockyards Administration.

RECEIVERSHIPS FOR UNINSURED NATIONAL BANKS

DEPARTMENT OF THE TREASURY
Office of the Comptroller of the Currency

12 CFR Part 51

[Docket ID OCC–2016–0017]

RIN 1557–AE07

SUMMARY:

The Office of the Comptroller of the Currency (OCC) is adopting a final rule addressing the conduct of receiverships for national banks that are not insured by the Federal Deposit Insurance Corporation (FDIC) (uninsured banks) and for which the FDIC would not be appointed as receiver. The final rule implements the provisions of the National Bank Act (NBA) that provide the legal framework for receiverships of such institutions. The final rule adopts the rule as proposed without change.

DATES: This final rule is effective on January 19, 2017.

FOR FURTHER INFORMATION CONTACT:


SUPPLEMENTARY INFORMATION:

I. Introduction

On September 13, 2016, the OCC published a proposed rule to implement the provisions of the NBA that provide the legal framework for receiverships for uninsured banks, 1 12 U.S.C. 191–200,

1 All Federal savings associations (FSAs), including trust-only FSAs, are required to be insured. For this reason, this final rule does not apply to FSAs, given that receiverships for FSAs would be conducted by the FDIC.
II. Background

As of December 2, 2016, the OCC supervised 52 uninsured banks, all of which are national trust banks.6

Uninsured national trust banks have fundamentally different business models compared to commercial and consumer banks and savings associations and therefore face very different types of risks. National trust banks typically have few assets on the balance sheet, usually composed of cash on deposit with an insured depository institution, investment securities, premises and equipment, and intangible assets. These banks exercise fiduciary and custody powers, do not make loans, do not rely on deposit funding, and consequently have simple liquidity management programs. In view of these differences, the OCC typically requires these banks to hold capital in a specific minimum amount; as a result they hold capital in amounts that exceed substantially the “well capitalized” standard that applies when national banks calculate their capital pursuant to the OCC’s rules in 12 CFR part 3.

The business model of national trust banks is to generate income in the form of fees by offering fiduciary and custodial services that generally fall into one or more of a few broad categories. Some national trust banks focus on institutional asset management, providing trust and custodial services for investment portfolios of pension plans, foundations and endowments, and other entities, often with an investment management component. A few other national trust banks serve primarily as a fiduciary and custodian to facilitate the establishment of Individual Retirement Accounts by customers of an affiliated mutual fund complex or broker-dealer firm. Some national trust banks provide custodial services, such as corporate trust accounts, under which the bank performs services for others in connection with their issuance, transfer, and registration of debt or equity securities. Other custody accounts may be a holding facility for customer securities, where the bank assists institutional customers with global settlement and safekeeping of the customer’s securities.

Many of the uninsured national trust banks are subsidiaries or affiliates of a full-service insured national bank or are affiliates of an insured state bank. Other uninsured national trust banks are not affiliated with an insured depository institution, but are affiliated with an investment management firm or other financial services firm. Still other uninsured national trust banks have no affiliation with a larger parent company.

The OCC appoints and oversees receivers for uninsured banks under the provisions of the NBA 8 and the substantial body of case law applying the statutory provisions and common law receivership principles to national bank receiverships.6 The FDIC is the required receiver only for an insured national (or state) bank.7 Based on the statutory history of the NBA and FIRREA, it is likely that the Federal Deposit Insurance Act (FDIA) would not apply to an OCC receivership of an uninsured bank conducted by the OCC, and that such a receivership would be governed exclusively by the NBA, the common law of receivers, and cases applying the statutes and common law to national bank receiverships. While FIRREA and the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) greatly expanded the FDIC’s powers in resolving failed insured depository institutions, the OCC believes that those additional powers are not available to the OCC as receiver of uninsured banks under the NBA.

The OCC has not appointed a receiver for an uninsured bank since shortly after the Congress established the FDIC in response to the banking panics of 1930–1933. National trust banks face very different types of risks because of the fundamentally different business model of national trust banks compared to commercial and consumer banks and savings associations. These risks include operational, compliance, strategic, and reputational risks without the credit and liquidity risks that additionally affect the solvency of commercial and consumer banks. While any of these risks can result in the precipitous failure of a bank or savings association, from a historical perspective, trust banks have been more likely to decline into a weakened condition, allowing the OCC and the institution the time needed to find other solutions for rehabilitating the institution or to successfully resolve the institution without the need to appoint a receiver.

The OCC believes it would nevertheless be beneficial to financial market participants and the broader community of regulators for the OCC to clarify the receivership framework for uninsured banks. Although the OCC conducted 2,762 receiverships pursuant to this framework in the years prior to the creation of the FDIC, 8 and the associated legal issues are the subject of a robust body of published judicial precedents, the details have not been widely articulated in recent jurisprudence or legal commentary. This final rule may also facilitate synergies with the ongoing efforts of U.S. and international financial regulators since the financial crisis to enhance our readiness to respond effectively to the different critical financial distresses that could manifest themselves unexpectedly in the diverse types of financial firms presently operating in the market.

III. Public Comments on the Proposed Rule

The OCC received 11 comments from the public in response to the OCC’s notice of proposed rulemaking and the alternatives the OCC discussed therein. The commenters included individuals, a state trust company, and a think tank, as well as representatives of consumer groups, financial reform advocacy groups, state banking regulators, banking institutions, and bitcoin firms. These submissions offered issues and viewpoints about selected portions of the proposed rule’s regulatory provisions for the OCC’s consideration; these are discussed in connection with the discussion of the OCC’s rationale for issuing the associated portions of the final rule, in Section III of this SUPPLEMENTARY INFORMATION.

4 For additional discussion of the business model of uninsured national trust banks, see Proposed Rule, 81 FR at 62836–62837.
6 For a discussion of the statutory history relating to receiverships of national banks conducted by the OCC, under the NBA, and by the FDIC, pursuant to the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), see Proposed Rule, 81 FR at 62836.
7 Section 11(c)(2)(A)(ii) of the FDIA provides that the FDIC “shall” be appointed receiver, and “shall” accept such appointment, whenever a receiver is appointed for the purpose of liquidation or winding up the affairs of an insured Federal depository institution by the appropriate Federal banking agency, notwithstanding any other provision of Federal law. 12 U.S.C. 1821(c)(2)(A)(ii). The term “Federal depository institution” includes national banks. 12 U.S.C. 1813(c)(4).
As part of the notice of proposed rulemaking, the OCC also asked for the public’s input on a number of specific questions and received comments on two of these questions. One question was whether any unique considerations would be raised by applying the proposed rule’s framework for receivership of uninsured national banks, which are all national trust banks at present, to other uninsured banks that would be organized to engage in the delivery of banking services in new and innovative ways, such as special purpose national banks engaged in financial technology (fintech) activities. More broadly, some commenters said the OCC should consider receivership and cost issues in deciding whether to charter special purpose national banks engaged in fintech activities, or the terms on which they could be chartered. Two commenters said the nature of a fintech firm’s business diverges widely from banks, and that creditor loss rates in a receivership for an uninsured special purpose national bank engaged in fintech activities may exceed levels that are tolerable in the resolution of a chartered bank. These commenters said this was a contra-indication for chartering such banks, but one of the commenters further elaborated that the OCC can and should exercise particularly close supervision of these firms and thereby reduce the risk of receiverships ever taking place. Another commenter said that fintech firms do not have national trust banks’ track record for remaining solvent and avoiding receivership, and the OCC should mitigate potential concerns about receivership costs by imposing capital support agreements and similar obligations in chartering special purpose national banks that engage in fintech activities.

On this receivership framework question, two commenters expressed concerns that the earlier-established legal regime for receiverships under the NBA and associated judicial precedent does not include select elements subsequently created for insured depository institutions under FIRREA and FDICIA, and thus might not be as effective outside the trust bank sphere in application to the receivership of special purpose national banks engaged in fintech activities. These commenters said the OCC should refrain from chartering these special purpose national banks until the law changes to address this difference. One commenter expressed concern that the rule’s incorporation of the NBA’s priority requirements for payment of receivership claims, which include no preference for consumer claims over other general creditors, might have the effect of distorting incentives among debt investors across special purpose national banks, and more broadly contribute to moral hazard. The OCC understands these comments to be urging, in effect, changes in the statutory receivership provisions underlying the rule. Absent Congressional action to do so, however, the current provisions of the NBA are the ones that would govern should it become necessary to appoint a receiver for an uninsured national bank. The OCC believes it is best to be clear, through a regulation implementing those NBA provisions, about the framework that would apply in order to avoid clouding the ongoing discussion about the chartering of special purpose national banks engaged in fintech activities with uncertainty about how uninsured institutions are resolved.

On the other receivership framework question, one commenter asked whether any unique considerations would arise for creating, regulating, and supervising special purpose national banks that engage in fintech activities or uninsured national banks, and another commenter further urged the OCC not to impose assessment costs for banks on uninsured national trust banks. The OCC continues to consider what approach to assessments would be appropriate should it approve charters for special purpose national banks engaged in fintech activities. Any resulting modification to the OCC’s assessment structure would be proposed for public comment in a separate rulemaking.

IV. The Final Rule

Overview

The final rule incorporates the framework set forth in the NBA for the Comptroller to appoint a receiver for an uninsured bank, generally under the same grounds for appointment of the FDIC as receiver for insured national banks. The uninsured bank may challenge the appointment in court, and the NBA affords jurisdiction to the appropriate United States district court for this purpose. The OCC will provide the public with notice of the appointment, as well as instructions for submitting claims against the uninsured bank in receivership. The Comptroller

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9 See Proposed Rule, 81 FR at 62837 (discussing the OCC’s initiative on responsible innovation in the Federal banking system, and the OCC’s authority to charter special purpose banks that engage in selected core non-depository services within the business of banking).


11 See Proposed Rule, 81 FR at 62838 (discussing the receiver’s priority claim to liquidation proceeds for administrative expenses, the OCC’s potential direct expenses for its receivership functions, and funding alternatives, such as building resources to defray these costs through the OCC’s regulations governing the OCC’s collection of assessments from uninsured national banks).
may appoint any person as receiver, including the OCC or another government agency. The receiver carries out its duties under the direction of the Comptroller.

The final rule also follows the statutory framework under the NBA with respect to claims, under which persons with claims against an uninsured bank in receivership will file their claims with the receiver for the failed uninsured bank, for review by the OCC. In the event the OCC denies the claim, the only remedy available to the claimant is to bring a judicial action against the uninsured bank’s receivership estate and assert the claim de novo. A person is also free to initiate a claim by bringing an action against the receivership estate in court for adjudication and then submit the judgment to the OCC to participate in ratable dividends of liquidation proceeds along with other approved and adjudicated claims. Approved or adjudicated claims are paid solely out of the assets of the uninsured national bank in receivership. This reflects the legal distinction between the OCC as regulatory agency and the OCC acting in a receivership capacity. In the former, the OCC oversees national banks, FSAs, and Federal branches and Federal agencies, supervising them under the charge of assuring the safety and soundness of, and compliance with laws and regulations, fair access to financial services, and fair treatment of customers by the institutions and other persons subject to its jurisdiction. As receiver, the OCC appoints and oversees receivers for uninsured national banks, thereby facilitating the winding down of bank operations, assets, and accounts while minimizing disruptions to customers and creditors of the institution. Under the “separate capacities” doctrine, which has long been recognized in litigation involving the FDIC, it is well established that the agency, when acting in one capacity, is not liable for claims against the agency acting in its other capacity.

As provided in the final rule, the receiver liquidates the assets of the uninsured bank, with court approval, and pays the proceeds into an account as directed by the OCC. The categories of claims and the priority thereof for payment are set out in the final rule. The final rule also clarifies certain powers held by the receiver.

Section-by-Section Analysis

Section 51.1 of the final rule identifies the purpose and scope of the final rule and clarifies that the rule applies to receiverships conducted by the OCC under the NBA for national banks that are not insured by the FDIC. The final rule does not extend to receiverships for uninsured Federal branches, although elements of the framework may be similar for uninsured Federal branch receiverships, which would also be resolved under provisions of the NBA.

Section 51.2 of the final rule is based on 12 U.S.C. 191 and 192 and concerns appointment of a receiver. The final rule sets out the Comptroller’s authority to appoint any person, including the OCC or another government agency, as receiver for an uninsured bank and provides that the receiver performs its duties subject to the approval and direction of the OCC. If the Comptroller were to appoint the OCC as receiver, the OCC would act in a receivership capacity with respect to the uninsured bank in receivership, rather than in the OCC’s supervisory capacity. As discussed earlier, this dual capacity (OCC as supervisor versus OCC as receivership sponsor for an uninsured bank) recognizes that, while the NBA makes the receivership oversight and claims review functions of the Comptroller part of the OCC’s responsibilities, the receivership oversight role is unique and distinct from the OCC’s role as a Federal regulatory agency and supervisor of national banks and FSAs. This is comparable to the dual capacity of the FDIC’s receivership function for insured depository institutions pursuant to the FDIA.

Section 51.2 of the final rule also provides that the Comptroller may require the receiver to post a bond or other security and the receiver may hire staff and professional advisors, with the approval of the Comptroller, if needed to carry out the receivership. This section also identifies the grounds for appointment of a receiver for an uninsured bank and notes that uninsured banks may seek judicial review of the appointment pursuant to 12 U.S.C. 191.

Section 51.3 of the final rule provides that the OCC will provide notice to the public of the appointment of a receiver for the uninsured bank. The final rule specifies that one component of this notice will include publication in a newspaper of general circulation selected by the OCC for three consecutive months, as required by 12 U.S.C. 193. As a component of the OCC’s notice to the public about the receivership, the OCC will also provide instructions for creditors and other claimants seeking to submit claims with the receiver for the uninsured bank.

As noted in the proposed rule, the OCC believes that the purpose of section 51.3 may be better served by publication through means in addition to the statutorily required publication in a newspaper. For example, the OCC could provide direct notice to customers and creditors of the uninsured bank to the extent the uninsured bank’s records included current contact information. The OCC could also arrange to provide notice through electronic channels that customers would typically use to contact the uninsured bank, such as the uninsured bank’s Web site. The OCC believes that an effective set of notice protocols would best be established on a case-by-case basis, in light of a specific uninsured bank’s fiduciary and custodial activities, the types of customers served by the bank, coordination with other notice protocols under way for any related entity that is also undergoing resolution activity, and similar factors. The OCC requested comment on alternative means of communicating with customers of uninsured banks.

One commenter, a trade association for banks, suggested that the OCC employ notice mechanisms that are consistent with the way in which the failed bank typically communicates with its clients and counterparties. The commenter suggested, for example, that a receiver for an institution with clients in other countries should communicate with those clients in the language typically used by the institution in its communications with those clients. The OCC agrees that this approach would be appropriate in such cases and reiterates that effective forms of notice, beyond the statutorily required notice in a newspaper, will be evaluated on a case-by-case basis.

14 For a discussion of the separate capacities doctrine and related case law, see Proposed Rule, 81 FR at 62838.
Section 51.4 of the final rule addresses the submission of claims to the receiver for an uninsured bank. Under § 51.4(a), a person with a claim against the receivership may submit a claim to the OCC, which will consider the claim and make a determination concerning its validity and approved amount. This process reflects the provisions in 12 U.S.C. 193 and 194 regarding presentation of claims and payment of dividends on claims that are proved to the satisfaction of the Comptroller. Section 51.4 also provides that the Comptroller will establish a deadline for filing claims with the receiver, which could not be earlier than 30 days after the three-month publication of notice required by § 51.3. This provision reflects NBF case law that permits the Comptroller to establish a date for filing claims against the receiver for a failed bank.16

Section 51.4(b) of the final rule clarifies that persons with claims against an uninsured bank in receivership may present their claims to a court of competent jurisdiction for adjudication in addition to, or as an alternative to, filing a claim with the OCC. If successful in court, such persons will be required to submit a copy of the final judgment to the OCC to participate in ratable dividends of liquidation proceeds along with claims against the bank in receivership submitted to, and approved by, the OCC. The final rule requires submission of a copy of the court’s final judgment to the OCC. This provision is based on 12 U.S.C. 193 and 194.

In this regard, the receivership regime established by the NBF differs somewhat from the approach set out in other resolution regimes, such as the bankruptcy provisions of the United States Code and the receivership provisions of the FDIA. Under those resolution regimes, creditors and claimants must generally submit their claims to the receivership estate for centralized administration and disposition, and claims that are not submitted by the claims deadline are barred from any participation in liquidation payments. The NBF provisions are different in that claimants are provided the opportunity to submit claims to the OCC for evaluation, but are not foreclosed from pursuing judicial resolution by filing litigation (or continuing a pre-existing lawsuit) in a court of competent jurisdiction against the uninsured bank in receivership.

The claims filing deadline established by the Comptroller pursuant to § 51.4(a) of the final rule is the date by which claimants seeking review under the OCC’s claims process must make their submission. Nevertheless, a claimant that has not made a submission to the OCC by the deadline is not barred from initiating judicial claims against the uninsured bank in receivership solely by virtue of missing the claims deadline.17

The NBF’s receivership provisions are like the receivership regime established by the FDIC under the FDIA, however, in that the avenue available to a party whose claim has been denied by the FDIC or OCC, when performing the agencies’ receivership claims functions, is to file (or continue) a de novo judicial action asserting the facts and legal theory of the claim against the receivership of the bank. The NBA does not contemplate or support further action by the claimant in an administrative or judicial forum against the OCC seeking review of the claim determination.

Section 51.4(c) of the final rule provides that if a person with a claim against an uninsured bank in receivership also has an obligation owed to the bank, the claim and obligation will be set off against each other and only the net balance remaining after set-off will be considered as a claim. To this end, § 51.4(a) also includes language referring to claims for set-off. The right of set-off where parties have mutual obligations has long been recognized as an equitable principle.18 Well-settled case law has held that a receivership creditor’s or other claimant’s equitable right to a set-off is not precluded by the ratable distribution requirement of the NBA. Provided such set-off is otherwise legally valid.19 If, after set-off, an amount is owed to the creditor, the creditor may file a claim for the net amount remaining as any other general creditor. Conversely, if, after set-off, an amount is owed to the bank, the creditor does not have a claim and the net amount remaining is an asset of the uninsured bank, which the receiver may obtain in connection with marshalling the assets (as described further in § 51.7(a) of the final rule).

The OCC requested comment on whether there are additional characteristics of set-offs or other situations in which set-off may arise that should be included in the rule. One commenter, a trade association for banks, said that the administration of set-offs may be complex, given that the trust and fiduciary business is a fee-based industry. The commenter offered the example of instances in which fees have been accrued or are otherwise in the process of payment to one or more service providers at the time of receivership. The commenter suggested that the final rule acknowledge that a given resolution may involve bespoke, fact-specific set-off situations that would need to be carefully considered, while also serving the need for the receiver or a successor fiduciary to be in a position to continue providing fiduciary services during the receivership.

The OCC believes that, on balance, it is not necessary to make this kind of an addition to the language of the final rule. Section 51.4 as a whole is designed to make the basic framework of claim submission transparent to creditors of the uninsured bank, and set-off is included as an element of this framework. As the commenter states, the OCC’s determination of particular claims will require consideration of fact-specific situations prior to reaching a disposition, and this extends to considerations of set-offs. The final rule is designed to accommodate with flexibility the consideration of such factors in the context in which each claim is posture.

Section 51.5 of the final rule sets out the order of priorities for payment of administrative expenses of the receiver and claims against the uninsured bank in receivership. Under this section, the OCC will pay these expenses and claims in the following order: (1) administrative expenses of the receiver; (2) unsecured creditors, including secured creditors to the extent their claim exceeds their valid and enforceable security interest; (3) secured creditors of the uninsured bank, if any, whose claims are subordinated to general creditor claims; and (4) shareholders of the uninsured bank. The order is based on case law and, in the

16 See Queenan v. Mays, 90 F.2d 525, 531 (10th Cir. 1937).
17 See First Nat’l Bank of Bethel v. Nat’l Paquequique Bank, 81 U.S. 383, 401 (1871); Queenan v. Mays, 90 F.2d 525, 531 (10th Cir. 1937). As noted earlier, it is incumbent on a claimant that pursues the judicial route and ultimately obtains judicial relief to submit the final judicial determination to the OCC, in order to participate in the OCC’s periodic ratable dividends of liquidation proceeds of the receivership estate. Except with respect to a valid and enforceable security interest in specific property of the uninsured bank established as part of a final judicial determination, there are no assets or funds available to a successful judicial claimant other than the ratable dividend process set out in 12 U.S.C. 194 and described in § 51.8 of the final rule. See, e.g., Scammon v. Kimball, 92 U.S. 362 (1876); Blount v. Windley, 95 U.S. 173, 177 (1877); Carr v. Hamilton, 129 U.S. 252 (1889).
case of the first priority for administrative expenses, on 12 U.S.C. 196.\textsuperscript{20}

A creditor or other claimant with a security interest that was valid and enforceable as to its terms prior to the appointment of the receiver is entitled to exercise that security interest, outside the priority of distributions set out in the final rule.\textsuperscript{21} If the collateral value exceeds the amount of the claim as it was immediately prior to the receiver's appointment, the surplus remains an asset of the uninsured bank, and the receiver may obtain it in connection with marshalling the assets (as further described in § 51.7(a) of the final rule).\textsuperscript{22}

Liens arising from judicial determinations after the initiation of the receivership, as well as contractual liens that are triggered due to the appointment of a receiver or other post-appointment events, are not enforceable. This is because recognition of these liens would afford these claimants a priority that is not recognized under the established priorities described in § 51.5 of the final rule. Similarly, a secured creditor is not entitled to a priority distribution of any portion of the claim that is not covered by the value of the collateral because the creditor is in the position of a general unsecured creditor for that portion of the claim and must participate in ratable liquidation distributions on par with other unsecured creditors.\textsuperscript{23}

Assets held by the uninsured bank at the time of the receiver's appointment in a fiduciary or custodial capacity, as identified on the bank's books and records, are not general assets of the bank. Section 51.8(b) of the final rule reiterates this point. In the same vein, the claim of the customer for the return of the customer's fiduciary or custodial assets is separate from, and not subject to, the priority set out in § 51.5. Fiduciary and custodial customers of the bank have direct claims on those assets pursuant to their fiduciary or custodial account contracts. However, the priority of a fiduciary or custodial customer's other claims against the bank, if any, would remain subject to the priority described in § 51.5. For example, a fiduciary customer's claim for a refund of prepaid investment management fees that were attributable to periods after the receiver returned the fiduciary assets to the customer generally would be a general unsecured claim covered by § 51.5(b). The claims process described in § 51.4(b) is available to a fiduciary customer, for both a direct claim for the return of fiduciary assets, as well as a receivership claim for amounts the customer believes it is owed by the bank.

The OCC requested comment on whether there are other Federal statutes regarding specific types of claims that may be applicable to a receivership of an uninsured bank under the NBA and that would give certain claims a different priority, such as claims owed to the Federal government. One commenter, a coalition that advocates for reform in the financial services industry, agreed that customer assets held by a bank in a fiduciary capacity should not be considered assets of the bank, but questioned why other claims of the customer, such as a claim for a refund of prepaid investment management fees that were attributable to periods after the receiver returned the fiduciary assets to the customer, would be treated as a unsecured general creditor claim. The commenter suggested that such customer funds would have less protection in a receivership for an uninsured bank than they would under certain modern receivership and bankruptcy statutes that set forth claim priorities which include preference to customer claims over other general creditor claims.

The OCC is required, by statute, to pay claims on a ratable basis. As discussed in connection with the description of § 51.8 of the final rule, this requirement has been interpreted by the courts as requiring the OCC to make distributions on OCC-approved claims and judicial awards on an equal footing, determining the amount of each creditor's claim as it stands at the point of insolvency. As a result, the controlling ratable payment statute does not support a rule that makes distinctions in distribution priority between customer and general creditor claimants.

Section 51.6 of the final rule provides that all administrative expenses of the receiver for an uninsured bank will be paid out of the assets of the receivership before payment of claims against the receivership. This reflects the requirements in 12 U.S.C. 196. The final rule also states that receivership expenses will include pre-receivership and post-receivership obligations that the receiver determines are necessary and appropriate to facilitate the orderly liquidation or other resolution of the uninsured bank in receivership. To further illustrate the kinds of expenses that § 196 affords a first priority claim on the uninsured bank's receivership assets, § 51.6 enumerates examples of such administrative expenses, such as wages and salaries of employees, expenses for professional services, contractual rent pursuant to an existing lease or rental agreement, and payments to third-party or affiliated service providers, when the receiver determines these expenses are of benefit to the receivership.

Section 51.7 of the final rule contains provisions describing the powers and duties of the receiver and the disposition of fiduciary and custodial accounts. As described in § 51.7, the receiver will take over the assets and operation of the uninsured bank, take action to realize on debts owed to the uninsured bank, sell the property of the bank, and liquidate the assets of the uninsured bank for payment of claims against the receivership. Section 51.7(a)(1)–(5) lists some of the major powers and duties for the receiver set out in 12 U.S.C. 192 and clarified by the courts, including taking possession of the books and records of the bank, collecting on debts and claims owed to the bank, selling or compromising bad or doubtful debts (with court approval), and selling the bank's real and personal property (also with court approval).

Section 51.7(b) of the final rule provides for the receiver to close the uninsured bank's fiduciary and custodial appointments, or transfer such accounts to a successor fiduciary or custodian under 12 CFR 9.16 or other applicable Federal law. The uninsured banks currently in existence focus on fiduciary and custodial services, so this function of the receiver will be of primary importance. This provision recognizes that the receiver's power to wind up the affairs of the uninsured bank in receivership, acting with court approval to make disposition of bank assets, should properly encompass the power to transfer fiduciary or custodial appointments and any associated assets in appropriate circumstances.

Transfer of fiduciary appointments may occur under the terms of the instrument creating the relationship, if it provides for transfer, or under a fiduciary transfer statute, if one is applicable. The OCC believes there are strong public policy interests in endeavoring to replace fiduciaries and custodians expeditiously, without an interruption in service to their customers, if transfer can be arranged to a qualified successor, maintaining the...
same duties and standards of care with respect to the customers that previously pertained to their accounts at the uninsured bank in receivership. The alternative, given that the uninsured bank must be wound down and cannot provide services in the future, is to stop managing and reinvesting the customer’s assets, stop responding to directions to transfer or receive assets in custody, close the accounts, and seek instructions from the account holders or the courts regarding return of associated assets. For institutional customers, this is likely to cause significant interruption of their financial operations. For individuals, it can potentially result in loss of asset value in adverse markets, or loss of income due to foregone reinvestments.

Across the United States, there are disparate and often conflicting legal rules restricting or conditioning transfers of an appointment of a fiduciary for a beneficiary residing within the state. Depending on the geographic area across which the uninsured bank has established fiduciary relationships with its customers, and the standardization of its fiduciary account agreements or appointing instruments, it may be practicable for the receiver to transition an uninsured bank’s fiduciary and custody accounts to a qualified successor through the mechanisms provided by applicable local law. On the other hand, if faced with dispersed customers, diverse account agreements or appointments of different vintage, or even the absence of any applicable law of transfer for customers in certain states, reliance on these methods may be so cumbersome as to effectively prevent accomplishment of the transfers in a timely way.

In order to address these potential problems, the OCC, relying on the support of existing case law, is including language in the final rule to make it clear that the uninsured bank’s receiver’s power under 12 U.S.C. 192 to sell, with court approval, the real and personal property of the bank includes the power to transfer the bank’s fiduciary accounts and related assets, subject to the approval of the court exercising jurisdiction over the receiver’s efforts to transfer the bank’s assets. The final rule is consistent with case law recognizing that a receiver for a national bank may properly arrange asset purchase and liability assumption transactions to move the business of a failed bank to a successor on an integrated basis, as part of the power to transfer assets, as well as analogous case law concerning the transfer of fiduciary and custodial assets by the FDIC, acting as receiver of failed insured depository institutions. 24

Section 51.7(c) of the final rule incorporates, in general terms, the powers, duties, and responsibilities of receivers for national banks under the NBA and under judicial precedents determining the authorities and responsibilities of receivers for national banks. Examples of these powers include: (1) the authority to repudiate certain contracts, including: (a) purely executory contracts, upon determining that the contracts would be unduly burdensome or unprofitable for the receivership estate; 25 (b) contracts that involve fraud or misrepresentation; 26 and (c) in limited cases, non-executory contracts that are contrary to public policy; 27 (2) the authority to recover fraudulent transfers; 28 and (3) the authority to enforce collection of notes from debtors and collateral, regardless of the existence of side arrangements that would otherwise defeat the collectability of such notes. 29

Section 51.7(d) of the final rule requires the receiver to make periodic reports to the OCC concerning the status and proceedings of the receivership. Section 51.8 of the final rule contains provisions regarding the payment of dividends on claims against the uninsured bank and the distribution of any remaining proceeds to shareholders. This section provides that, after administrative expenses of the receivership have been paid, the OCC will make ratable dividends from available receivership funds based on the priority of claims in proposed § 51.5 for claims that have been proved to the OCC’s satisfaction or adjudicated in a court of competent jurisdiction, as provided in 12 U.S.C. 194. The OCC will make payment of dividends, if any, periodically, at the discretion of the OCC, as the receiver liquidates the assets of the uninsured bank.

The final rule’s inclusion of the “ratable dividend” requirement is designed to incorporate the associated standards about the proper application of this statutory directive, which the judiciary has articulated over the years. The ratable dividend requirement directs the OCC to make distributions on OCC-approved claims and judicial awards on an equal footing, determining the amount of each creditor’s claim as it stands at the point of insolvency. As one example, a court’s award of interest on an unpaid debt to the date of a judgment rendered in the plaintiff’s favor after the receiver was appointed does not increase the amount of the plaintiff’s claim for purposes of making ratable dividends. As another example, the ratable dividend requirement generally restricts claims against the bank receivership for debts that were not due and owing at the appointment of the receiver and arose for the first time as a consequence of the appointment or a post-appointment event.

The OCC requested comment on alternatives to the proposed rule’s approach to paying dividends on claims, under which the OCC would exercise its discretion under section 194 to determine the timing of the distributions on established claims. Under one alternative presented in the proposed rule, the OCC would refrain from paying any dividends until all claims have been submitted and validated, with final allowed claim amounts established. As we noted in the proposal, this approach presents the possibility that proven claims may be delayed for a significant amount of time pending more protracted resolution of other claims. Under a second option presented in the proposed rule, the OCC would make ongoing dividends on proven claims, subject to the receiver’s retaining a percentage of the funds on hand at the time of the distribution as a pool of dividends for catch-up distributions to a successful plaintiff later.

The OCC did not receive comments on these alternative approaches for making ratable distributions on claims against a receivership. For this reason, and because the proposed rule’s approach to payment of dividends provides the OCC with the discretion to tailor the dividend process to facts and circumstances of a particular receivership, the final rule adopts § 51.8 as proposed.

Section 51.8(a)(2) of the final rule recognizes the basic legal premise under the NBA receivership provisions and judicial interpretations thereof that any dividends payments to creditors and other claimants of an uninsured bank will be made solely from receivership
funds, if any, paid to the OCC by the receiver after payment of the expenses of the receiver. This provision is also consistent with the established dichotomy of the OCC’s supervisory and receivership capacities in the NBA, as discussed earlier.

Section 51.8(b) of the final rule similarly recognizes that assets held by an uninsured national bank at the time of the receiver’s appointment in a fiduciary or custodial capacity, as designated on the bank’s books and records, are not part of the bank’s general assets and liabilities held in connection with its other business and will not be considered a source for payment for unrelated claims of creditors and other claimants. This provision is intended to make clear that the receiver will segregate identified fiduciary and custodial assets and either transfer those assets to other fiduciaries or custodians as described in connection with § 51.7(b), or close the accounts and endeavor to make the associated assets available to the account holders or their representatives through other means.

One commenter, a trade association for banks, agreed with the treatment of fiduciary assets in the proposed rule, but questioned whether § 51.8(b) indicates with sufficient clarity that fiduciary assets will not be treated as assets of the bank in receivership. As stated in the final rule, fiduciary and custodial assets “will not be considered as part of the bank’s general assets. . .”. The OCC reiterates that, under this section, assets held by an uninsured bank in a fiduciary or custodial capacity, as designated on the bank’s books and records, are not part of the bank’s general assets and liabilities held in connection with its other business and will not be a source for payment for unrelated claims of creditors and other claimants.

Section 51.8(d) of the final rule provides that, after all administrative expenses and claims have been paid in full, any remaining proceeds will be paid to shareholders in proportion to their stock ownership, also as provided in 12 U.S.C. 194.

Section 51.9 of the final rule contains provisions for termination of receiverships in which there are assets remaining after all administrative expenses and all claims had been paid. This is the scenario addressed by 12 U.S.C. 197. In such a case, section 197 requires the Comptroller to call a meeting of the shareholders of the bank at which the shareholders would decide whether to continue oversight by the Comptroller, or whether to end the receivership and appoint a liquidating agent to continue the liquidation of the remaining assets, under the direction of the board of directors and shareholders, as in a liquidation that had commenced under 12 U.S.C. 181.

There may be other circumstances under which termination would take place, such as when there are no receivership assets remaining after completion of receivership activities. Under this scenario, the receiver for an uninsured bank has liquidated all of the bank’s assets, closed or transferred all fiduciary accounts to a successor fiduciary, paid all administrative expenses, and either paid creditor claims in full and distributed the remaining proceeds to shareholders, as provided in § 51.8(c) of the final rule, or made ratable dividends of all remaining proceeds to creditors as provided in § 51.8(a), but no additional assets remain in the estate. Under these circumstances, the provisions in 12 U.S.C. 197 for termination would not apply.

V. Regulatory Analysis
   A. Paperwork Reduction Act

Under the Paperwork Reduction Act (PRA) of 1995 (44 U.S.C. 3501 et seq.), the OCC may not conduct or sponsor, and, notwithstanding any other provision of law, a person is not required to respond to, an information collection unless the information collection displays a valid Office of Management and Budget (OMB) control number. The final rule contains no information collection requirements under the PRA.

   B. Regulatory Flexibility Act

The Regulatory Flexibility Act (RFA), 5 U.S.C. 601 et seq., generally requires that, in connection with a rulemaking, an agency prepare and make available for public comment a regulatory flexibility analysis that describes the impact of the rule on small entities. However, the regulatory flexibility analysis otherwise required under the RFA is not required if an agency certifies that the rule will not have a significant economic impact on a substantial number of small entities (defined in regulations promulgated by the Small Business Administration (SBA) to include commercial banks and savings institutions, and trust companies, with assets of $550 million or less and $38.5 million or less, respectively) and publishes its certification and a brief explanatory statement in the Federal Register together with the rule.

The OCC currently supervises approximately 1,032 small entities. The scope of the final rule extends to uninsured banks. The maximum number of OCC-supervised small uninsured banks that could be subject to the receivership framework described in the final rule is approximately 18. Accordingly, the OCC certifies that the final rule will not have a significant economic impact on a substantial number of small entities.

OCC Unfunded Mandates Reform Act of 1995 Determination

The OCC has analyzed the final rule under the factors in the Unfunded Mandates Reform Act of 1995 (UMRA) (2 U.S.C. 1532). Under this analysis, the OCC considered whether the final rule includes a Federal mandate that may result in the expenditure by state, local, and tribal governments, in the aggregate, or by the private sector, of $100 million or more in any one year (adjusted annually for inflation). As detailed in the SUPPLEMENTARY INFORMATION, the OCC currently supervises 52 uninsured banks, all of which are uninsured trust banks, and has not appointed a receiver for an uninsured bank since 1933. Unlike commercial and consumer banks and savings associations, which generally face credit and liquidity risks, national trust banks primarily face operational, reputational, and strategic risks. While any of these risks could result in the precipitous failure of a bank or savings association, from a historical perspective, trust banks have been more likely to decline into a weakened condition, allowing the OCC and the institution the time needed to find other solutions for rehabilitating the institution or to successfully resolve the institution without the need to appoint a receiver. As such, we believe the OCC is unlikely to place an uninsured trust bank into receivership. For this reason, and because the final rule does not impose any implementation requirements, the OCC concludes that the final rule will not result in an expenditure of $100 million or more by state, local, and tribal governments, or by the private sector, in any one year.

List of Subjects in 12 CFR Part 51
   Administrative practice and procedure, Banks, Banking, National banks, Procedural rules, Receiverships.

²⁰Consistent with the General Principles of Affiliation 13 CFR 121.103(a), the OCC counts the assets of affiliated financial institutions when determining if we should classify an institution we supervise as a small entity. We used December 31, 2015, to determine size because a financial institution’s assets are determined by averaging the assets reported on its four quarterly financial statements for the preceding year. See footnote 8 of the U.S. SBA’s Table of Size Standards.
PART 51—RECEIVERSHIPS FOR UNINSURED NATIONAL BANKS

Sec. 51.1 Purpose and scope.  
51.2 Appointment of receiver.  
51.3 Notice of appointment of receiver.  
51.4 Claims.  
51.5 Order of priorities.  
51.6 Administrative expenses of receiver.  
51.7 Powers and duties of receiver; disposition of fiduciary and custodial accounts.  
51.8 Payment of claims and dividends to shareholders.  
51.9 Termination of receivership.


§ 51.1 Purpose and scope.

(a) Purpose. This part sets out procedures for receiverships of national banks conducted by the Office of the Comptroller of the Currency (OCC) under the receivership provisions of the National Bank Act (NBA). These receivership provisions apply to national banks that are not insured by the Federal Deposit Insurance Corporation (FDIC).

(b) Scope. This part applies to the appointment of a receiver for uninsured national banks (uninsured banks) and the operation of a receivership after appointment of a receiver for an uninsured bank under 12 U.S.C. 191. \[31\]

§ 51.2 Appointment of receiver.

(a) In general. The Comptroller of the Currency (Comptroller) may appoint any person, including the OCC or another government agency, as receiver for an uninsured bank. The receiver performs its duties under the direction of the Comptroller and serves at the will of the Comptroller. The Comptroller may require the receiver to post a bond or other security. The receiver, with the approval of the Comptroller, may employ such staff and enter into contracts for professional services as are necessary to carry out the receivership. (b) Grounds for appointment. The Comptroller may appoint a receiver for an uninsured bank based on any of the grounds specified in 12 U.S.C. 191(a).

(c) Judicial review. If the Comptroller appoints a receiver for an uninsured bank, the bank may seek judicial review of the appointment as provided in 12 U.S.C. 191(b).

§ 51.3 Notice of appointment of receiver.

Upon appointment of a receiver for an uninsured bank, the OCC will provide notice to the public of the receivership, including by publication in a newspaper of general circulation for three consecutive months. The notice of the receivership will provide instructions for creditors and other claimants seeking to submit claims with the receiver for the uninsured bank.

§ 51.4 Claims.

(a) Submission of claims for consideration by the OCC. (1) Persons who have claims against the receivership for an uninsured bank may present such claims, along with supporting documentation, for consideration by the OCC. The OCC will determine the validity and approve the amounts of such claims.

(2) The OCC will establish a date by which any person seeking to present a claim against the uninsured bank for consideration by the OCC must present their claim for determination. The deadline for filing such claims will not be less than 30 days after the end of the three-month notice period in § 51.3.

(3) The OCC will allow any claim against the uninsured bank received on or before the deadline for presenting claims if such claim is established to the OCC’s satisfaction by the information on the uninsured bank’s books and records or otherwise submitted. The OCC may not allow any portion of any claim by a creditor or claim of a security, preference, set-off, or priority which is not established to the satisfaction of the OCC.

(b) Submission of claims to a court. Persons with claims against an uninsured bank in receivership may present their claims to a court of competent jurisdiction for adjudication. Such persons must submit a copy of any final judgment received from the court to the OCC, to participate in ratable dividends along with other proved claims.

(c) Right of set-off. If a person with a claim against an uninsured bank in receivership also has an obligation owed to the bank, the claim and obligation will be set off against each other and only the net balance remaining after set-off shall be considered as a claim, provided such set-off is otherwise legally valid.

§ 51.5 Order of priorities.

The OCC will pay receivership expenses and proved claims against the uninsured bank in receivership in the following order of priority:

(a) Administrative expenses of the receiver;

(b) Unsecured creditors of the uninsured bank, including secured creditors to the extent their claim exceeds their valid and enforceable security interest;

(c) Creditors of the uninsured bank, if any, whose claims are subordinated to general creditor claims; and

(d) Shareholders of the uninsured bank.

§ 51.6 Administrative expenses of receiver.

(a) Priority of administrative expenses. All administrative expenses of the receiver for an uninsured bank shall be paid out of the assets of the bank in receivership before payment of claims against the receivership.

(b) Scope of administrative expenses. Administrative expenses of the receiver for an uninsured bank include those expenses incurred by the receiver in maintaining banking operations during the receivership, to preserve assets of the uninsured bank, while liquidating or otherwise resolving the affairs of the uninsured bank. Such expenses include pre-receivership and post-receivership obligations that the receiver determines are necessary and appropriate to facilitate the orderly liquidation or other resolution of the uninsured bank in receivership.

(c) Types of administrative expenses. Administrative expenses for the receiver of an uninsured bank include:

(1) Salaries, costs, and other expenses of the receiver and its staff, and costs of contracts entered into by the receiver for professional services relating to performing receivership duties; and

(2) Expenses necessary for the operation of the uninsured bank, including wages and salaries of employees, expenses for professional services, contractual rent pursuant to an existing lease or rental agreement, and payments to third-party or affiliated service providers, that in the opinion of the receiver are of benefit to the receivership, until the date the receiver terminates, cancels, or otherwise discontinues the applicable contract.

§ 51.7 Powers and duties of receiver; disposition of fiduciary and custodial accounts.

(a) Marshalling of assets. In resolving the affairs of an uninsured bank in receivership, the receiver:

(1) Takes possession of the books, records and other property and assets of the uninsured bank, including the value
§ 51.9 Termination of receivership.

If there are assets remaining after full payment of the expenses of the receiver and all claims of creditors for an uninsured bank and all fiduciary accounts of the bank have been closed or transferred to a successor fiduciary and fiduciary powers surrendered, the Comptroller shall call a meeting of the shareholders of the uninsured bank, as provided in 12 U.S.C. 197, for the shareholders to decide the manner in which the liquidation will continue. The liquidation may continue by:

(a) Continuing the receivership of the uninsured bank under the direction of the Comptroller;

(b) Ending the receivership and oversight by the Comptroller and replacing the receiver with a liquidating agent to proceed to liquidate the remaining assets of the uninsured bank for the benefit of the shareholders, as set out in 12 U.S.C. 197.


Thomas J. Curry,
Comptroller of the Currency.

§ 51.8 Payment of claims and dividends to shareholders.

(a) Claims. (1) After the administrative expenses of the receivership have been paid, the OCC shall make ad valorem dividends from time to time of available receivership funds according to the priority described in §51.5, based on the claims that have been proved to the OCC’s satisfaction or adjudicated in a court of competent jurisdiction.

(2) Dividend payments to creditors and other claimants of an uninsured bank will be made solely from receivership funds, if any, paid to the OCC by the receiver after payment of the expenses of the receiver.

(b) Fiduciary and custodial assets. Assets held by an uninsured bank in a fiduciary or custodial capacity, as designated on the bank’s books and records, will not be considered as part of the bank’s general assets and liabilities held in connection with its other business, and will not be considered a source for payment of unrelated claims of creditors and other claimants.

(c) Timing of dividends. The payment of dividends, if any, under paragraph (a) of this section, on proved or adjudicated claims will be made periodically, at the discretion of the OCC, as the receiver liquidates the assets of the uninsured bank.

(d) Distribution to shareholders. After all administrative expenses of the receiver and proved claims of creditors of the uninsured bank have been paid in full, to the extent there are receivership assets to make such payments, any remaining proceeds shall be paid to the shareholders, or their legal representatives, in proportion to their stock ownership.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Food and Drug Administration

21 CFR Part 4

[Docket No. FDA–2008–N–0424]

RIN 0910–AF82

Postmarketing Safety Reporting for Combination Products

AGENCY: Food and Drug Administration, HHS.

ACTION: Final rule.

SUMMARY: The Food and Drug Administration (FDA or Agency) is issuing regulations to set forth postmarketing safety reporting requirements for combination products. Specifically, this final rule describes the postmarketing safety reporting requirements that apply when two or more different types of regulated medical products (drugs, devices, and/or biological products, which are referred to as “constituent parts” of a combination product) comprise a combination product and the combination product or its constituent parts have received FDA marketing authorization. The rule is intended to promote and protect the public health by setting forth the requirements for postmarketing safety reporting for these combination products, and is part of FDA’s ongoing effort to ensure the consistency and appropriateness of the regulatory requirements for combination products.

DATES: Effective date: This rule is effective on January 19, 2017. Compliance dates: Some provisions of the rule have a compliance date that is the same as the effective date of this rule, and other provisions of the rule have a later compliance date as discussed in section III.I, Effective Date and Compliance Dates.

FOR FURTHER INFORMATION CONTACT: John Barlow Weiner, Associate Director for Policy, Office of Combination Products, Food and Drug Administration, 10903 New Hampshire Ave., Bldg. 32, Rm. 5129, Silver Spring, MD 20933, 301–796–8930, john.weiner@fda.hhs.gov.

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