

forfeiture, restored forfeited amount, adjustment, earnings correction, loan, withdrawal, or interfund transfer transactions posted as of the allocation date.

* * * * *

Source means the origin of any one of the three types of contributions that are made to the Fund on behalf of participants—employee contributions, agency automatic (1%) contributions, or agency matching contributions.

* * * * *

Valuation period means the calendar month during which earnings accrue.

3. Section 1645.2 is revised to read as follows:

§ 1645.2 Posting of receipts.

Agency and employee contributions and loan repayments will be posted by source and by investment fund to the appropriate individual account on the day they are processed by the recordkeeper.

§ 1645.3 [Amended]

4. Section 1645.3 is amended by revising all references to "Investment Fund" to read "investment fund".

5. Section 1645.4 is revised to read as follows:

§ 1645.4 Administrative expenses attributable to each investment fund.

A portion of administrative expenses accrued during each valuation period will be charged to each investment fund. The investment funds' respective portions will be determined as follows:

(a) Investment managers' fees and other accrued administrative expenses attributable only to the C or F Fund will be charged to the C or F Fund, respectively;

(b) All other accrued administrative expenses will be reduced by forfeitures and earnings on forfeitures accrued during the valuation period;

(c) The amount of accrued administrative expenses not covered by forfeitures under paragraph (b) of this section will be charged on a *pro rata* basis to the investment funds, based on the respective investment fund balances on the last day of the prior valuation period.

6. Section 1645.5 is revised to read as follows:

§ 1645.5 Basis for allocation of earnings.

(a) *Individual account basis.* Except for the amounts described in paragraph (b) of this section, the individual account basis on the earnings allocation date for each source of contributions in each investment fund equals:

(1) The month-end account balance as of the previous allocation date; plus

(2) One-half of contributions posted to the individual account during the current valuation period (except for contributions referred to in paragraph (b) of this section); plus

(3) One-half of all loan repayments posted to the individual account during the current valuation period.

(b) *Inclusion of retroactive contributions.* The individual account basis for agency automatic (1%) contributions will also include all amounts attributable to retroactive contributions that are made to the individual account pursuant to 5 U.S.C. 8432(c)(3) and that are processed by the recordkeeper during the current valuation period.

(c) *Computation of fund basis.* For each valuation period, the total fund basis for each investment fund will be the sum of all individual account bases for all sources of contributions in that investment fund, calculated as described in paragraphs (a) and (b) of this section.

7. Section 1645.6 is revised to read as follows:

§ 1645.6 Earnings allocation for individual accounts.

(a) *Computation of earnings for each individual account.* Earnings for each source of contributions for each investment fund will be allocated to each individual account separately. The total net earnings for each investment fund (as computed under § 1645.3) will be divided by the total fund basis for that investment fund (as computed under § 1645.5(c)). The resulting number (the "allocation factor") will be multiplied by the individual account basis for the respective source of contributions in that investment fund (as computed under § 1645.5(a)), to determine the individual account earnings for the valuation period attributable to that source of contributions in that investment fund. The earnings of the individual account for each source of contributions in each investment fund, when added together, will constitute the earnings for that individual account during the valuation period.

(b) *Residual net earnings.* Amounts allocated to individual accounts may not exceed the total amount of earnings available to be allocated. To avoid allocating excessive amounts, computation of earnings for individual accounts described in paragraph (a) of this section will not include fractions of a cent. Residual net earnings attributable to unallocated fractions of a cent will be allocated with the earnings for the following valuation period.

8. Section 1645.7 is revised to read as follows:

§ 1645.7 Posting of earnings to individual accounts.

For each source of contributions for each investment fund, the amount of earnings computed for each individual account in a valuation period, as described in § 1645.6, will be posted to the individual account as of the allocation date.

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FEDERAL RESERVE SYSTEM

12 CFR Part 219

[Regulation S; Docket No. R-0934]

Reimbursement for Providing Financial Records; Recordkeeping Requirements for Certain Financial Records

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final rule.

SUMMARY: The Board has approved an amendment to subpart B of its Regulation S. Subpart B cross-references the substantive provisions of a joint rule adopted by the Board and the Department of the Treasury relating to the recordkeeping requirements for funds transfers and transmittals of funds under the Bank Secrecy Act. The amendment clarifies that Regulation S does not apply to any person or transaction or class of persons or transactions that the Treasury has exempted from the joint rule.

EFFECTIVE DATE: December 20, 1996.

FOR FURTHER INFORMATION CONTACT: Louise Roseman, Associate Director, (202/452-2789), Division of Reserve Bank Operations and Payment Systems; Oliver Ireland, Associate General Counsel (202/452-3625), or Elaine Boutilier, Senior Counsel (202/452-2418); Legal Division. For the hearing impaired *only*, contact Dorothea Thompson, Telecommunications Device for the Deaf (TDD) (202/452-3544).

SUPPLEMENTARY INFORMATION: The Bank Secrecy Act,¹ as amended by the Annunzio-Wylie Anti-Money Laundering Act of 1992,² authorizes, and in some cases requires, the Secretary of the Treasury³ and the

¹ Pub. L. 91-508, codified at 12 U.S.C. 1829b and 1951-1959, and 31 U.S.C. 5311-5329.

² Pub. L. 102-550, title XV.

³ The Secretary of the Treasury has delegated the authority to administer the Bank Secrecy Act to the Director of the Financial Crimes Enforcement Network.

Board to prescribe recordkeeping rules for domestic and international funds transfers and money transmittals. The Board and the Treasury issued a joint rule,⁴ effective May 28, 1996, that sets forth recordkeeping and reporting requirements for funds transfers and money transmittals by banks and nonbank financial institutions. These requirements are intended to assist in the investigation and prosecution of money-laundering activities. In promulgating these rules, the Board and the Treasury determined that the requirements would have a high degree of usefulness in criminal, tax, or regulatory investigations or proceedings. The substance of the joint rule is codified with the Treasury's Bank Secrecy Act regulations in 31 CFR part 103.⁵ At the same time, the Board added subpart B to its Regulation S (12 CFR part 219) to cross-reference the joint rule.

Under its general Bank Secrecy Act regulations, the Treasury may make exceptions or grant exemptions from the requirements in 31 CFR part 103 for particular persons or classes of persons or particular transactions or classes of transactions.⁶ The Board has no similar exemptive provisions in Regulation S. The Board recognizes the possibility that the Treasury could grant an exception or exemption for a person or transaction subject to the joint rule. Therefore, on August 21, 1996 (61 FR 43195), the Board requested comments on an amendment to clarify that subpart B does not apply to a particular person or class of persons, or particular transaction or class of transactions, to the extent that the Treasury has determined that the joint rule does not apply to that person, transaction, or class of persons or transactions.

Four comments, all favorable, were received in response to the proposed change. Three comments were received from Federal Reserve Banks, all of which supported the proposed amendment to clarify the intent of subpart B of Regulation S. One comment was received from a bank trade association, which supported the amendment, stating that "any revisions that eliminate potential confusion help to alleviate regulatory burden." That comment did suggest that the final language be revised and put into clearer language—less "legalese." The language used in the amendment to subpart B adopts the terminology used in the

exemption authority given the Secretary of the Treasury in 31 CFR 103.45; and, to avoid confusion, the Board will continue to use the same terminology.

Accordingly, to avoid confusion and to ensure consistent application of the joint rule and subpart B of Regulation S, the Board has amended Regulation S to clarify that subpart B does not apply to a particular person or class of persons or particular transaction or class of transactions to the extent that the Treasury has determined that the joint rule does not apply to that person, transaction, or class of persons or transactions.

Regulatory Flexibility Analysis

Pursuant to the Regulatory Flexibility Act (5 U.S.C. 605(b)), the Board hereby certifies that this amendment to subpart B of Regulation S will not have a significant economic impact on a substantial number of small entities. The amendment eliminates uncertainty as to the application of the joint final rule and may result in reduced compliance burden to the extent that the Treasury exempts persons or transactions that would otherwise be subject to Regulation S. Accordingly, a regulatory flexibility analysis is not required.

Paperwork Reduction Act

In accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. Ch. 3506; 5 CFR 1320 Appendix A.1), the Board reviewed the rule under the authority delegated to the Board by the Office of Management and Budget. No collections of information pursuant to the Paperwork Reduction Act are contained in the final rule.

List of Subjects in 12 CFR Part 219

Banks, Banking, Currency, Foreign banking, Reporting and recordkeeping requirements.

For the reasons set out in the preamble, 12 CFR part 219 is amended as set forth below.

PART 219—REIMBURSEMENT FOR PROVIDING FINANCIAL RECORDS; RECORDKEEPING REQUIREMENTS FOR CERTAIN FINANCIAL RECORDS (REGULATION S)

* * * * *

Subpart B—Recordkeeping and Reporting Requirements for Funds Transfers and Transmittals of Funds

1. The authority citation for subpart B is revised to read as follows:

Authority: 12 U.S.C. 1829b(b)(2) and (3).

2. In § 219.21, the first word "Such" in the last sentence is revised to read

"These" and a new sentence is added immediately preceding the last sentence to read as follows:

§ 219.21. Authority, purpose, and scope.

* * * This subpart does not apply to a particular person or class of persons or a particular transaction or class of transactions to the extent that the Treasury has determined that 31 CFR 103.33(e) or (f) do not apply to that person, transaction, or class of persons or transactions. * * *

By order of the Board of Governors of the Federal Reserve System, November 14, 1996.
William W. Wiles,

Secretary of the Board.

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DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 39

[Docket No. 95-ANE-45; Amendment 39-9815; AD 96-23-10]

RIN 2120-AA64

Airworthiness Directives; Pratt & Whitney JT3D Series Turbofan Engines

AGENCY: Federal Aviation Administration, DOT.

ACTION: Final rule.

SUMMARY: This amendment adopts a new airworthiness directive (AD), applicable to Pratt & Whitney (PW) JT3D series turbofan engines, that requires inspection of steel high pressure compressor (HPC) disks for corrosion, recoating or replating those disks, or replacing those disks as necessary. This amendment is prompted by reports of a failure of a PW JT8D steel HPC disk, which is similar in design to the PW JT3D steel HPC disks. The actions specified by this AD are intended to prevent steel HPC disk failure due to corrosion, which could result in an uncontained engine failure and damage to the aircraft.

DATES: Effective January 21, 1997.

The incorporation by reference of certain publications listed in the regulations is approved by the Director of the Federal Register as of January 21, 1997.

ADDRESSES: The service information referenced in this AD may be obtained from Pratt & Whitney, Publications Department, Supervisor Technical Publications Distribution, M/S 132-30, 400 Main St., East Hartford, CT 06108; telephone (860) 565-7700, fax (860) 565-4503. This information may be

⁴ 60 FR 231 (January 3, 1995), as modified by 60 FR 44144 (August 24, 1995) and 61 FR 14382 (April 1, 1996).

⁵ 31 CFR 103.11 and 103.33 (e) and (f).

⁶ See 31 CFR 103.45.