

**Restrictions Arising from Third Party Relationships.** Proposed § 7501.106(d) would attribute to a covered employee securities he or she would be prohibited from holding by § 7501.106(c) that are held by the entities described in this subsection. A covered employee with an attributed interest would be required to report the interest to the appropriate agency ethics official and could be required to terminate the relationship with the entity, disqualify himself or herself from a matter or take other appropriate action as determined by the agency ethics official to avoid a violation of the conflict of interest statutes, the executive branch-wide Standards, or these supplemental regulations.

**Prohibited Outside Employment.** Proposed § 7501.106(e) is intended to highlight for covered employees that they are prohibited by § 7501.105(a) from engaging in employment with or on behalf of a mortgage institution. Employment with or on behalf of a mortgage institution means performing any work, whether compensated or uncompensated, for or to be provided to a mortgage organization through its employees, contractors, or agents.

**Prohibited Recommendations.** Proposed § 7501.106(f) would prohibit a covered employee from recommending, suggesting or giving advice to any person with respect to financial transactions or investment actions involving FHLMC or FNMA securities. This provision would supplement 5 CFR 2635.704 with a provision designed specifically for covered employees which would prohibit them from using or creating the appearance of using information which is not available to the general public to further a private interest.

**Prohibited Purchase of Assets.** Proposed § 7501.106(g) would prohibit covered employees from purchasing real or personal property from FHLMC or FNMA unless purchased under circumstances which ensure that the property is sold for fair market value. It is proposed as a supplement to the more general prohibition in 5 CFR 2635.702 against the use of public office for private gain.

**Pre-existing Interests.** Proposed § 7501.106(h) would require a covered employee, upon entering a covered position, to report any interest he or she would be prohibited from continuing to hold by § 7501.106(c) to the agency ethics official within thirty days of the start of that covered employment. The covered employee would be required to divest such interest within 90 days of the date reported unless the employee receives a written waiver from the

Designated Agency Ethics Official in accordance with § 7501.103. A similar requirement would apply to covered employees who acquire financial interests prohibited by § 7501.106(c) by gift or otherwise without specific intent on their part.

### III. Removal of the Old Department Standards of Conduct Regulations

Because the Department's Standards of Conduct have been largely superseded by the new executive branch financial disclosure regulations at 5 CFR part 2634 and by the new executive branch-wide Standards at 5 CFR part 2635 as supplemented by the regulations contained in new 5 CFR part 7501, the Department is removing all of existing 24 CFR part 0. To ensure that employees are on notice of the ethical standards to which they are subject, the Department is replacing its old standards at 24 CFR part 0 with a residual provision that cross-references 5 CFR parts 2634, 2635 and 7501.

### IV. Matters of Regulatory Procedure

#### *Regulatory Flexibility Act*

The Secretary in accordance with the Regulatory Flexibility Act (5 U.S.C. 605(b)), has reviewed and approved this rule, and in so doing certifies that this rule would not have a significant economic impact on a substantial number of small entities because it would affect only Federal employees.

#### *Environmental Impact*

In accordance with 40 CFR 1508.4 of the regulations of the Council on Environmental Quality and 24 CFR 50.20(k) of the HUD regulations, the policies and procedures contained in this rule relate only to internal administrative procedures whose content does not constitute a development decision nor affect the physical condition of project areas or building sites, and therefore, are categorically excluded from the requirements of the National Environmental Policy Act.

#### *Executive Order 12612, Federalism*

The General Counsel, as the Designated Official under section 6(a) of Executive Order 12612, *Federalism*, has determined that the policies contained in this rule will not have substantial direct effects on States or their political subdivisions, or the relationship between the Federal Government and the states, or on the distribution of power and responsibilities among the various levels of government. Specifically, this rule is only directed toward Federal employees and would not alter the established roles of HUD

and the States and local governments. As a result, the rule is not subject to review under the order.

#### *Executive Order 12606, the Family*

The General Counsel, as the Designated Official under Executive Order 12606, *The Family*, has determined that this rule does not have potential for significant impact on family formation, maintenance, and general well-being, and, thus, is not subject to review under the order. No significant change in existing HUD policies or programs would result from promulgation of this rule, as those policies and programs relate to family concerns.

#### *Regulatory Agenda*

This rule was listed as item number 1367 in the Department's Semiannual Agenda of Regulations published on May 8, 1995 (60 FR 23368, 23375) in accordance with Executive Order 12866 and the Regulatory Flexibility Act.

#### **List of Subjects in 5 CFR Part 7501**

Conflict of interests, Government employees.

#### **List of Subjects in 24 CFR Part 0**

Administrative practice and procedure, Conflict of interests.

Dated: May 22, 1995.

**Henry G. Cisneros,**

*Secretary of the Department of Housing and Urban Development.*

Approved: June 1, 1995.

**Stephen D. Potts,**

*Director, Office of Government Ethics.*

For the reasons set forth in the preamble, the Department of Housing and Urban Development, with the concurrence of the Office of Government Ethics, is proposing to amend title 5 of the Code of Federal Regulations by adding a new chapter LXV, consisting of part 7501, and to amend title 24 of the Code of Federal Regulations by revising part 0, to read as follows:

1. In title 5, a new chapter LXV, consisting of part 7501, would be added to read as follows:

### **5 CFR CHAPTER LXV—DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

#### **PART 7501—SUPPLEMENTAL STANDARDS OF ETHICAL CONDUCT FOR EMPLOYEES OF THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

Sec.  
7501.101 Purpose.  
7501.102 Definitions.