the common trust funds transferred are held substantially by the same persons in the same proportions), and the definition of securities found in clause (vii) (the term securities includes investments constituting a security within the meaning of the Investment Company Act of 1940 (15 U.S.C. 80a–2(36)). The definition of total assets in section 368(a)(2)(F)(iv) will apply, except that, as stated above, Government securities will be included in determining total assets, unless the Government securities are acquired to meet section 368(a)(2)(F)(ii).

The proposed regulations contain the same diversification test as that in the proposed regulations under section 351(e) dealing with transfers to investment companies. Thus, these proposed regulations would ensure that a uniform diversification test is applied to common trust funds and similar investment entities.

The proposed regulations also update the regulations under section 584 to conform to changes in the law.

Proposed Effective Date

These regulations are proposed to apply to combinations and divisions of common trust funds consummated on or after the date of publication as final regulations in the **Federal Register**.

Special Analyses

It has been determined that this notice of proposed rulemaking is not a significant regulatory action as defined in EO 12866. Therefore, a regulatory assessment is not required. It also has been determined that section 553(b) of the Administrative Procedure Act (5 U.S.C. chapter 5) and the Regulatory Flexibility Act (5 U.S.C. chapter 6) do not apply to these regulations, and, therefore, a Regulatory Flexibility Analysis is not required. Pursuant to section 7805(f) of the Internal Revenue Code, this notice of proposed rulemaking will be submitted to the Chief Counsel for Advocacy of the Small **Business Administration for comment** on its impact on small business.

Comments and Requests for a Public Hearing

Before these proposed regulations are adopted as final regulations, consideration will be given to any written comments (a signed original and eight (8) copies) that are submitted timely to the IRS. All comments will be available for public inspection and copying. A public hearing may be scheduled if requested in writing by a person that timely submits written comments. If a public hearing is scheduled, notice of the date, time, and

place for the hearing will be published in the **Federal Register**.

Drafting Information

The principal author of these regulations is Brian J. O'Connor, Office of Assistant Chief Counsel (Passthroughs and Special Industries). However, other personnel from the IRS and Treasury Department participated in their development.

List of Subjects in 26 CFR Part 1

Income taxes, Reporting and recordkeeping requirements.

Proposed Amendments to the Regulations

Accordingly, 26 CFR part 1, is proposed to be amended as follows:

PART 1—INCOME TAXES

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

Authority: 26 U.S.C. 7805 * * *

§1.584-2 [Amended]

Par. 2. Section 1.584–2 is amended by:

1. Removing paragraph (b)(1).

2. Redesignating paragraph (b)(2) as paragraph (b).

Par. 3. Section 1.584–4 is amended by:

- 1. Removing paragraphs (a)(1) and (a)(2).
- 2. Revising the sixth sentence of paragraph (a).
- 3. Adding two sentences after the sixth sentence of paragraph (a).

The revision and additions read as follows:

§1.584–4 Admission and withdrawal of participants in the common trust fund.

(a) * * * When a participating interest is transferred by a bank, or by two or more banks that are members of the same affiliated group (within the meaning of section 1504), as a result of the combination of two or more common trust funds or the division of a single common trust fund, the transfer to the surviving or divided fund is not considered to be an admission or a withdrawal if the combining, dividing, and resulting common trust funds have diversified portfolios. For purposes of this paragraph, a common trust fund has a diversified portfolio if it satisfies section 368(a)(2)(F)(ii), applying the relevant provisions of section 368(a)(2)(F), except that, in applying section 368(a)(2)(F)(iv), Government securities are included in determining total assets, unless the Government securities are acquired to meet section 368(a)(2)(F)(ii). In addition, for a

transfer of a participating interest in a division of a common trust fund not to be considered an admission or withdrawal, each participant's pro rata interest in each of the resulting common trust funds must be substantially the same as was the participant's pro rata interest in the dividing fund.

Margaret Milner Richardson,

Commissioner of Internal Revenue. [FR Doc. 95–19448 Filed 8–9–95; 8:45 am] BILLING CODE 4830–01–U

Departmental Offices

31 CFR Part 1

Privacy Act of 1974; Proposed Rule Exempting System of Records From Certain Provisions of the Privacy Act

AGENCY: Departmental Offices, Treasury. **ACTION:** Proposed rule.

SUMMARY: In accordance with the requirements of the Privacy Act of 1974, as amended, 5 U.S.C. 552a, the Department of the Treasury gives notice of a proposed amendment of 31 CFR 1.36 to exempt the system of records entitled Integrated Data Retrieval System (IDRS) Security Files—Treasury/ IRS 34.018 from certain provisions of the Privacy Act. The exemption is intended to comply with legal prohibitions against the disclosure of certain kinds of information and to protect certain information on individuals maintained in this system of records.

DATES: Comments must be received no later than September 11, 1995.

ADDRESSES: Please submit comments to the Director, Office of Disclosure, Internal Revenue Service, 1111 Constitution Avenue NW., Washington, DC 20224. Comments will be made available for inspection and copying in the Freedom of Information Reading Room upon request.

FOR FURTHER INFORMATION CONTACT:

Phyllis DePiazza, Chief, Privacy Act and Education Branch, Office of Disclosure, Internal Revenue Service at (202) 622– 6240.

SUPPLEMENTARY INFORMATION: The Integrated Data Retrieval System (IDRS) Security Files is a computerized system which permits tax account access for the purposes of recording transactional information to tax accounts. The system is designed to identify potential unauthorized accesses to tax account information and to detect certain questionable accesses and/or patterns of access. Access to the system would