believes the disparity between its rule and those of the other Federal banking agencies is both unnecessary and inconsistent with section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994 (CDRI) (12 U.S.C. 4803), which requires each agency to work with the other Federal banking agencies to make uniform all regulations and guidelines implementing common statutory or supervisory policies. CDRI, section 303(a)(2).

For these reasons, the OCC proposes to eliminate the special restrictions on extensions of credit by national banks to their executive officers, provided the loans are secured in the manner previously described. The OCC seeks comment on whether interested parties agree that the exemptions are appropriate for national banks.

Current § 31.2(b) requires a majority of the directors of a national bank to approve in advance a loan to one of the bank's executive officers, principal shareholders, or directors (or to any related interest of such persons) if the amount of the loan, when aggregated with other loans outstanding to that insider and his or her related interests, exceeds the higher of $25,000 or 5 percent of the bank's capital and surplus. In no event may a national bank lend more than $500,000 to an insider and his or her related interests without the majority of the bank's board first approving the loan. Interested directors must abstain from the voting.

Proposed § 31.3(b) amends the OCC's rule to conform to recent changes made to the definitions of ''director,'' ''executive officer,'' and ''principal shareholder'' in Regulation O (12 CFR 215.2(d), (e), and (m), respectively). The Board narrowed these definitions so that they generally apply just to insiders of the bank and not to its affiliates. At the same time the Board narrowed these definitions, it also clarified, in 12 CFR 215.4(b)(1), that the prior approval requirements continue to apply to insiders of the bank as well as insiders of the bank's affiliates. Proposed § 31.3(b) also makes this clarification.

It should be noted that the exemptions set forth in proposed § 31.3(a) do not apply to proposed § 31.3(b). Thus, a loan secured, for instance, by a segregated deposit account still must be counted for purposes of determining whether prior approval is required under proposed § 31.3(b). This provides an additional protection against insider abuse by insuring that a bank's directors will have the opportunity to review loans to insiders in amounts that exceed the specified thresholds.

Subpart B—Reports and Public Disclosure

Authority and OMB Control Number (§ 31.4)

Current § 31.4 states the authority pursuant to which subpart B is issued and sets forth the Office of Management and Budget (OMB) control number.

The proposed rule removes the statement of the OMB control number from part 31 but retains the statement of authority. In a separate rulemaking, the OCC will relocate all OMB control numbers to 12 CFR part 4.

Definitions (Proposed § 31.5)

Current § 31.5(d) states, as a general matter, that the definitions found in subpart B of Regulation O (12 CFR 215.20 through 215.23) apply to subpart B of part 31. Current § 31.5(d) also states that, for purposes of the requirement governing reports of loans to insiders from the insider's bank, the term ''bank'' means Federally-chartered insured bank.

The proposal relocates the definition section to proposed § 31.5 and incorporates into subpart B of part 31 the definitions found in subpart B of Regulation O. The proposal also clarifies, for the reasons stated in the discussion of proposed § 31.2, that the term ''capital and surplus'' in part 31 has the same meaning as ''capital and surplus'' as that term is used in 12 CFR part 32. The proposal also removes an obsolete reference to 12 U.S.C. 1817.

Disclosure of Insider Indebtedness (Proposed § 31.6)

Current § 31.5 requires a national bank to disclose, if requested, the names of each executive officer and principal shareholder whose aggregate indebtedness (including debt of the insider's related interests) from either the bank or its correspondent banks equals or exceeds the lesser of 5 percent of the bank's capital and unimpaired surplus or $500,000.[6] The current rule also requires a national bank to maintain records of requests for information for two years following the request.

Proposed § 31.6 makes no substantive change, but revises the current section's style in order to improve clarity. Proposed § 31.6(a) uses the term ''capital and surplus'' instead of ''capital and unimpaired surplus,'' which is used in the current regulation. This change conforms subpart B of part 31 to subpart A. The proposal also clarifies, in § 31.6(c), that the two-year period for retaining records of requests and the disposition of requests begins on the date of the request.

Reports by Executive Officers and Principal Shareholders (Proposed § 31.7)

Current § 31.6 implements 12 U.S.C. 1972(2)(G)(i), which requires national bank executive officers and principal shareholders to file annual reports with their bank's board of directors showing indebtedness from correspondent banks to the insiders or their related interests. The current rule states that ''This requirement is restated in Regulation O, 12 CFR 215.22,'' thereby implicitly incorporating the provisions of the section cited.

Proposed § 31.7 clarifies that 12 U.S.C. 1972(2)(G)(i) requires reports only if the executive officer or principal shareholder (or their related interests) have credit outstanding at some point during the year. The proposed rule also clarifies that all of the provisions of 12 CFR 215.22 apply. The OCC does not intend any substantive change by these proposed amendments.

Interpretations

On March 3, 1995, the OCC proposed to relocate several interpretations that currently appear in part 7. *See* 60 FR 11924, 11930 (proposing to relocate 12 CFR 7.7355 (debts of affiliates), 7.7360 (loans secured by stock or obligations of an affiliate), 7.7365 (Federal funds transactions between affiliates), and 7.7370 (deposits between affiliated banks)). The OCC proposed to relocate these interpretations to part 31 because the interpretations and part 31 stem from the same concern about persons or entities taking undue advantage of positions of influence and thereby adversely affecting the safety and soundness of a national bank. Given the similarities in the supervisory concerns that prompted both part 31 and the interpretations, the OCC believes that it is more appropriate to include the interpretations in part 31 rather than in a collection of unrelated interpretations. The OCC also believes that relocating the interpretations to part 31 will make them easier to find.

The proposed rule restates the latter three of these interpretations at new §§ 31.100–31.102. Current § 7.7355, which interprets the prohibition against a national bank withdrawing its capital, will be relocated to part 5 to consolidate all provisions related to changes in a national bank's equity capital. The OCC

22(h), leads the OCC to conclude that limiting the amount of loans secured in the manner in question is unwarranted.

[6] This requirement applies only to aggregate indebtedness that exceeds $25,000.