

Application No.	Applicant	Reason for delay	Estimated date of completion
Modification to Special Permits			
11579-M	Austin Powder Company, Cleveland, OH	3, 4	12-31-2007
New Special Permit Applications			
14385-N	Kansas City Southern Railway Company, Kansas City, MO	4	12-31-2007
14402-N	Lincoln Composites, Lincoln, NE	1	12-31-2007
14436-N	BNSF Railway Company, Topeka, KS	4	12-31-2007
14500-N	Northwest Respiratory Services, St. Paul, MN	4	12-31-2007
14507-N	Gulf Coast Hydrostatic Testers, LLC, Denham Springs, LA	4	12-31-2007
14508-N	Gulf Coast Hydrostatic Testers, LLC, Denham Springs, LA	4	12-31-2007

[FR Doc. 07-6127 Filed 12-19-07; 8:45 am]

BILLING CODE 4910-60-M

DEPARTMENT OF THE TREASURY**Office of the Comptroller of the Currency****Agency Information Collection Activities: Submission for OMB Review; Comment Request****AGENCY:** Office of the Comptroller of the Currency (OCC), Treasury.**ACTION:** Notice and request for comments.

SUMMARY: The OCC, as part of its continuing effort to reduce paperwork and respondent burden, invites the general public and other Federal agencies to comment on a proposed information collection, as required by the Paperwork Reduction Act of 1995. An agency may not conduct or sponsor, and a respondent is not required to respond to, an information collection unless it displays a currently valid Office of Management and Budget (OMB) control number. The OCC is soliciting comments concerning an information collection titled "Bank Secrecy Act/Money Laundering Risk Assessment" (MLR). The OCC is also giving notice that it has sent the information collection to OMB for review.

DATES: Comments must be submitted by January 22, 2008.

ADDRESSES: Communications Division, Office of the Comptroller of the Currency, Public Information Room, Mailstop 1-5, Attention: 1557-0231, 250 E Street, SW., Washington, DC 20219. In addition, comments may be sent by fax to (202) 874-4448, or by electronic mail to regs.comments@occ.treas.gov. You may personally inspect and photocopy comments at the OCC's Public Information Room, 250 E Street, SW., Washington, DC. For security reasons,

the OCC requires that visitors make an appointment to inspect comments. You may do so by calling (202) 874-5043. Upon arrival, visitors will be required to present valid government-issued photo identification and submit to security screening in order to inspect and photocopy comments.

Additionally, you should send a copy of your comments to OMB Desk Officer, 1557-0231, by mail to U.S. Office of Management and Budget, 725 17th St., NW., #10235, or by fax to (202) 395-6974.

FOR FURTHER INFORMATION CONTACT: You can request additional information or a copy of the collection and supporting documentation submitted to OMB by contacting: Mary Gottlieb, (202) 874-5090, Legislative and Regulatory Activities Division, Office of the Comptroller of the Currency, 250 E Street, SW., Washington, DC 20219.

SUPPLEMENTARY INFORMATION: The OCC is proposing to extend the approval for the following information collection:

Title: Bank Secrecy Act/Anti-Money Laundering Risk Assessment.

OMB Number: 1557-0231.

Affected Public: Businesses or other for-profit.

Type of Review: Regular review.

Abstract: The MLR enhances the ability of examiners and bank management to identify and evaluate any Bank Secrecy Act/Anti-Money Laundering risks associated with the banks' products, services, customers, and locations. As new products and services are introduced, existing products and services change, and the banks expand through mergers and acquisitions, management's evaluation of money laundering and terrorist financing risks must evolve as well. Absent appropriate controls, such as this risk assessment, these lines of business, products, or entities could elevate Bank Secrecy Act/Anti-Money Laundering risks. The information collection only includes community banks.

Burden Estimates:

Estimated Number of Respondents: 1,670.

Estimated Number of Responses: 1,670.

Frequency of Response: Annually.
Estimated Annual Burden: 10,020 hours.

Comments: The OCC requested comments on the renewal of the information collection (72 FR 44920, August 9, 2007). Two comments were received. Comments continue to be invited on:

(a) Whether the collection of information is necessary for the proper performance of the functions of the agency, including whether the information has practical utility;

(b) The accuracy of the agency's estimate of the burden of the collection of information;

(c) Ways to enhance the quality, utility, and clarity of the information to be collected;

(d) Ways to minimize the burden of the collection on respondents, including through the use of automated collection techniques or other forms of information technology; and

(e) Estimates of capital or startup costs and costs of operation, maintenance, and purchase of services to provide information.

Dated: December 14, 2007.

Stuart Feldstein,

Assistant Director, Legislative and Regulatory Activities Division, Office of the Comptroller of the Currency.

[FR Doc. E7-24722 Filed 12-19-07; 8:45 am]

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DEPARTMENT OF THE TREASURY**Office of Thrift Supervision**

[Docket ID OTS-2007-0009]

Savings and Loan Holding Company Rating System

AGENCY: Office of Thrift Supervision, Treasury.

ACTION: Final guidance—Savings and Loan Holding Company Rating System.

SUMMARY: The Office of Thrift Supervision (OTS) is revising its savings and loan holding company (SLHC) rating system to better reflect and communicate its supervisory expectations. The new SLHC rating system revises component descriptions to better emphasize risk management and adopts a numeric rating scale.

DATES: The revised rating system will be applied to all SLHC examinations beginning on or after January 1, 2008.

FOR FURTHER INFORMATION CONTACT: Donna Deale, Director, Holding Companies and Affiliates, (202) 906-7488.

SUPPLEMENTARY INFORMATION:

Background

OTS has a well-established program for meeting its statutory responsibilities with respect to SLHCs and the thrift industry. Holding company supervision is an integral part of this oversight program, and, OTS routinely takes steps to enhance its risk-focused supervision of these enterprises. On April 9, 2007, the OTS published a notice in the *Federal Register* (72 FR 17618) requesting comment on proposed revisions to the SLHC rating system.

The SLHC rating system is an internal rating system used by the OTS as a management information and supervisory tool that defines the condition of all SLHCs in a systematic manner. It provides an evaluation of the SLHC's condition for use by the supervisory community and identifies any practices requiring supervisory responses and actions. The SLHC rating system also provides a measurement tool to discuss the enterprise's condition with SLHC management.

OTS implemented the former SLHC rating system in 1988. Since the introduction of this rating system, banking organizations and SLHCs have become more complex. Several SLHCs have significant international operations and many engage in multiple types of financial activities. In addition, certain SLHCs that existed prior to the enactment of activities restrictions in the Gramm-Leach-Bliley Act engage in commercial, manufacturing, and other retail activities. As of June 2007, SLHCs had aggregate consolidated assets of \$8.5 trillion.

Given the diversity of the SLHCs supervised by OTS and OTS's risk focused holding company examination approach, the examinations and ratings must document our assessment of the risk profile of the holding company

enterprise as well as management's ability to identify, measure, monitor, and control risks. OTS believes that the proposed changes further this objective and, therefore, OTS is adopting the proposed SLHC rating system with minor clarifications to reflect comments received.

Summary of Changes to Examination Components

The former SLHC rating system has four examination components: Capital, Earnings, Organizational Structure and Relationship. The revised SLHC rating system changes two of the existing four examination components—Organizational Structure and Relationship. OTS is making this change to place greater emphasis on risk management. The number of components and OTS's risk focused examination approach remain unchanged.

The revised SLHC rating system includes a review of two components that focus on financial condition (Capital and Earnings) and two other components (Organizational Structure and Risk Management) that focus on the activities and operations conducted within the enterprise and the SLHC's risk management practices.

With the exception of the ratings changes discussed later in this document, OTS is not changing its philosophy on evaluating the financial components (Capital and Earnings). OTS will continue to evaluate capital adequacy relative to a given enterprise's risk profile.

Within the Organizational Structure component, examiners will assess inherent risk in the context of lines of business, operations, affiliate relationships, concentrations, and other exposures. The most significant types of risk are defined in the proposed rating description for the Organizational Structure component. Based on its experience regulating SLHCs and on a review of similar guidance by other banking and supervisory agencies, OTS compiled a comprehensive list of risks that SLHC enterprises face.

OTS is changing the name of the "R" component from Relationship to Risk Management. Within the Risk Management component, examiners will evaluate corporate governance; board of directors and senior management oversight; policies, procedures, and limits; risk monitoring and management information systems; and internal controls. OTS recognizes that each SLHC must have the flexibility to tailor risk management programs to its size, complexity, and inherent risks. OTS also recognizes that its most

complex holding companies are highly integrated and may manage risk on an enterprise-wide basis, both within and across business lines and legal entities.

Summary of Changes to Rating System

OTS is adopting a new rating scale for SLHCs. An effective rating system must include an accurate assessment of each enterprise's financial and managerial condition. The rating system must be flexible and apply to holding companies of all sizes and complexity. The former rating scale did not facilitate meaningful distinctions in the strengths and weaknesses of an enterprise. Therefore, OTS is adopting a five-point numeric scale similar to the Uniform Financial Institution Ratings System (UFIRS) and the OTS CAMELS rating system. The five-point scale will be used for both composite and component ratings assigned to SLHCs. The use of a five-point scale will better reflect issues of supervisory concern and will provide more distinction in the supervisory assessment of condition. A five-point scale also correlates with and is more comparable to the thrift and bank holding company rating systems.

The new SLHC rating system incorporates one other change to the ratings definitions. Historically, OTS has based the rating of the holding company enterprise on its effect on its subsidiary thrift. OTS has encountered situations where it has supervisory concerns within the holding company enterprise, which did not have a direct impact on the thrift. OTS believes that using the effect on the thrift subsidiary as a SLHC rating criterion can lead to misinterpretation of the rating. It also may not be as accurate in portraying the condition of the SLHC enterprise as ratings criteria based on financial condition, operations, and risk profile.

After thoroughly evaluating the language in the ratings definitions, OTS believes that language emphasizing the SLHC's effect on its thrift subsidiary limits the supervisory purpose of the rating. The SLHC's effect on its thrift subsidiary will continue to be an important consideration in the examination process, but the rating descriptions do not include such language as rating criterion.

The changes will elevate the prominence of risk management; better align holding company examination components with OTS's supervisory process; and provide a more accurate assessment of the condition of SLHCs. OTS recognizes that it bases certain guidance and administrative processes on the current SLHC rating scale and definitions.

The OTS assessment regulation is set forth in 12 CFR Part 502 Subpart A. Of particular relevance to the holding company rating changes, section 502.29 outlines how OTS determines the condition component for SLHCs. OTS does not intend to amend the holding company assessment regulations at the current time. Instead, OTS will update these regulations at a later date after most holding companies are assigned a rating under the new holding company rating system. Until the regulation is changed, the holding company assessment condition component will be charged if the most recent composite rating of any SLHC in the holding company structure is "Unsatisfactory" under the previous holding company rating system, or, a "4" or "5" under the new holding company rating system. This is consistent with the 100 percent condition component surcharge applied to "4" and "5" rated thrift institutions. Similarly, an "Unsatisfactory" rating carries the presumption that formal enforcement action is required. For this purpose, as well as for any other OTS regulatory or guidance references to "Unsatisfactory," OTS will consider a composite "4" or "5" holding company rating comparable.

Comments Received and Changes Made

The OTS received seven comments regarding the proposed revisions to the SLHC rating system. The comments came from four SLHCs and three trade associations. Commenters generally supported changes to the rating system, agreeing that the new rating system will elevate the prominence of risk management, better align holding company examination components with OTS's supervisory process, and provide a more accurate assessment of the condition of SLHCs.

General Comments

A few commenters encouraged OTS to rely on functional regulators that have primary oversight of insurance and other financial activities. The revised rating system does not signal a shift in OTS supervisory practices of coordinating with and relying to the greatest extent possible on the work of functional regulators. OTS is committed to avoiding unnecessary regulatory duplication and will continue to work closely with functional regulators.

Commenters also asked about revisions to the Holding Companies Handbook and implementation of the revised ratings changes. OTS will phase in the revised rating system for holding company examinations that commence on or after January 1, 2008. To facilitate SLHCs' understanding of the new rating

descriptions, OTS will include not only the composite rating, but also any component ratings assigned, in each holding company's report of examination. Additionally, in their meetings with management or the board of directors, examination staff will further explain how they reached their rating conclusions using the revised SLHC rating system.

OTS will simultaneously begin the process of updating the Holding Companies Handbook to reflect the changes to the SLHC rating system. Other references in guidance or regulations using terminology connected to the existing rating system will not be immediately updated; however, today's guidance clarifies the most significant references that affect unsatisfactorily rated SLHCs.

Another commenter asked OTS to address the likelihood of additional costs or assessments as a result of the new supervisory approach. As previously indicated, OTS anticipates that the changes will elevate the prominence of risk management; better align holding company examination components with OTS's supervisory process; and provide a more accurate assessment of the condition of SLHCs. OTS does not view these changes as a significant change in approach; rather the changes will better reflect current supervisory practices and the condition of SLHCs. OTS does not anticipate that the changes will result in significant additional costs or increases in the assessment charged to SLHCs.

The same commenter asked how OTS would tailor the ratings to address non-complex SLHCs for which much of the rating component detail is not materially relevant. Given the diverse nature of SLHCs, OTS recognizes that each SLHC must have the flexibility to tailor programs to its size, complexity, and inherent risks. OTS expectations vary accordingly. Furthermore, OTS will continue the policy of not requiring examiners to assign component ratings for non-complex institutions. Thus, if as the commenter suggests, an item is not materially relevant, the examiner may choose not to individually rate that component.

Composite Definition Comments

One commenter thought that the references to "consolidated financial strength" or "financial condition" in the composite rating descriptions could be interpreted as a shift in the overall weight that OTS places on capital and earnings by moving from two component references to a single measure. OTS does not intend such a shift and has clarified composite

definitions to track more closely with the CORE components.

Capital and Earnings Definition Comments

Two commenters questioned the use of the word "abundant" in describing the level of capital and cash flow associated with a "1" rating. One of those commenters noted that the word "abundant" does not have a generally accepted meaning in financial or supervisory literature. In defining the rating levels, OTS tried to choose words that do not have a specific meaning within an existing regulatory framework. For example, if OTS had chosen "well-capitalized," users could misinterpret the wording as having the same meaning as when used in the Prompt Corrective Action regulations (12 CFR 564.4). Because of the diverse holding company population, OTS intends the wording to provide flexibility without associating it with specific measures. OTS agrees, however, that the word "abundant" may overstate the amount of capital expected to achieve a Capital Rating of "1", and, therefore, has changed the description to "more than sufficient." Further, after considering this comment, OTS has also decided to change the use of the word "adequate" in the Capital Rating 2 description. When used in capital component rating descriptions, the word "adequate" may be associated with other predefined usages. Therefore, references to "adequate" in the Capital "2" rating description have been changed to "sufficient."

Another commenter asked that OTS articulate the regulatory and economic capital considerations that examiners will use in determining capital adequacy. OTS has long held that a savings and long holding company must have a prudential level of capital to support their risk profile. In fact, the lack of any specific capital requirement makes it essential to consider all aspects of an organization's risk profile to determine if capital is adequate on a case-by-case basis. Therefore, it is particularly important that complex SLHCs assess their capital adequacy and future capital needs in a systematic and comprehensive manner in light of their risk profiles and business plans.

Examiners will evaluate internal capital management processes to determine whether they meaningfully tie the identification, monitoring, and evaluation of risk to the SLHC's capital needs. OTS recognizes that internal capital adequacy assessment processes will vary depending on the nature, size and complexity of the enterprise. Examiners will place increasing reliance

on a holding company's internal assessment of capital adequacy based on their confidence in the SLHC's demonstrated ability to reflect risk in its own determination of capital needs. Consistent with OTS's current approach to evaluating capital adequacy by considering capital in a variety of different ways,¹ the SLHC's economic capital calculation will serve as an additional measure to consider.

OTS also received a couple of questions about how the revised ratings will work in the Basel environment. OTS acknowledges that there are open issues related to the adoption of the Basel framework and OTS will need to address these as they relate to SLHCs.

Organizational and Risk Management Comments

Two commenters suggested that the evaluation of risks faced by a holding company would be more meaningful if done in the context of the holding company's ability to manage those risks. These commenters believe that the risk component rating framework could be enhanced by clarifying how the interplay between the inherent risks identified in the "O—Organizational Structure" component and risk management controls in the "R—Risk Management" component connect to form an assessment of the holding company's residual risk. While OTS appreciates the concern noted, the final rating descriptions maintain a division of identifying the inherent risk within the Organizational Structure component and evaluating the risk management controls within the Risk Management component. In the same way that OTS considers both Capital and Earnings in evaluating the financial condition of a holding company enterprise, OTS will evaluate two components to assess the residual risk within the holding company enterprise. OTS believes there is value in separately identifying the inherent risks within a corporate enterprise. The Organizational Structure component evaluates the overall activities and underlying risk to understand what is in the corporate enterprise and the resulting exposures. OTS recognizes that effective risk management will mitigate many of the risks identified. Examiners will reflect the net or residual risk after considering the "O" and the "R" components, as well as the financial components, in the composite rating.

One of the comments also asked OTS to clarify how examiners will conduct the risk management rating assessment of the SLHC if the enterprise were to include the subsidiary institution as part of its enterprise risk management program. OTS recognizes that larger, more complex SLHC enterprises will have an enterprise-wide risk management (ERM) program. ERM promotes a consolidated vision of corporate goals, objectives, and strategies, and it makes sense to include the subsidiary institution in such a program. An effective ERM program must include taking an entity level portfolio review of risk. While an institution may be part of a SLHC's ERM program, this does not change OTS's expectation that the institution's board of directors and management will oversee, and be accountable for, the institution's risk management function.

Proposed Text of the Savings and Loan Holding Company Rating System

Holding Company Rating System

The holding company rating system is used to assess a holding company's Capital, Organizational Structure, Risk Management, and Earnings. Using this system, OTS comprehensively and uniformly evaluates all holding company enterprises, focusing supervisory attention on the holding company enterprises that are complex or exhibit financial and operational weaknesses or adverse trends. The rating system:

- Identifies problem or deteriorating holding company enterprises.
- Categorizes holding company enterprises with deficiencies in particular areas.
- Assesses the aggregate strength of the SLHC industry.

Each holding company enterprise receives a composite rating based on the evaluation factors. Examiners will assign component ratings to all complex or high-risk holding companies; they may assign component ratings to noncomplex and low risk holding companies at their discretion. Examiners will disclose the composite ratings and any component ratings assigned in the report of examination.

Examiners will assign a composite and component ratings based on a 1 to 5 numeric scale. A "1" rating is the highest rating, indicating the strongest performance and practices and least degree of supervisory concern. A "5" rating is the lowest rating, indicating the weakest performance and the highest degree of supervisory concern. In most cases, a composite rating of "4" or "5" will result in formal enforcement action.

In addition, a rating of "4" or "5" will be treated as "Unsatisfactory" as that term is used in OTS regulations and guidance (for example, see 12 CFR 502.29 for purposes of determining the condition component in a holding company's assessment calculation or 12 CFR 563.555 in defining a savings and loan holding company that is in troubled condition).

Examiners will use the following descriptions to assign composite and component ratings to SLHCs.

Description of the Rating System Elements

Composite Rating

The composite rating is the overall assessment of the holding company enterprise as reflected by its organizational structure, risk management, capital and earnings. The composite rating encompasses both a forward-looking and current assessment of the consolidated enterprise, as well as an assessment of the relationship between the companies in the enterprise. The composite rating is not a simple numeric average of the CORE components; rather, the composite rating reflects OTS's judgment of the relative importance of each component to the operation of the holding company enterprise. Some components may receive more weight than others depending on the SLHC's activities and risk profile. Assignment of a composite rating may incorporate any factor that significantly affects the overall condition of the holding company enterprise, although generally the composite rating is closely related to the component ratings assigned.

Composite 1. A holding company enterprise in this group is sound in almost every respect and generally has components rated 1 or 2. Any weaknesses are minor, and the board of directors and management can correct them in the normal course of business. The enterprise is able to withstand economic, financial, and risk exposure changes because of an effective organizational structure, solid risk management practices, more than sufficient capital and strong earnings. Cash flow is more than sufficient and adequately services debt and other obligations. This holding company enterprise exhibits strong performance and risk management practices relative to its size, complexity, and risk profile.

Composite 2. A holding company enterprise in this group is fundamentally sound but may have modest weaknesses. The board of directors and management are capable and willing to correct any weaknesses.

¹ The OTS Holding Companies Handbook guides examiners to consider tangible capital, GAAP equity, and to calculate a regulatory proxy measure that give "capital-like" regulatory treatment for certain items such as trust preferred securities and other hybrid instruments.

Generally, no component rating should be more severe than 3 for this holding company enterprise. The organizational structure, risk management practices, capital and earnings create stability, and this holding company enterprise is capable of withstanding business fluctuations. Cash flow is adequate to service obligations. Overall, risk management practices are satisfactory relative to the enterprise's size, complexity, and risk profile.

Composite 3. A holding company enterprise in this group raises some degree of supervisory concern in one or more of the component areas, with weaknesses that range from moderate to severe. The magnitude of the deficiencies is generally not severe enough to rate a component more severely than 4. Management may lack the ability or willingness to effectively address weaknesses within appropriate time frames. The holding company enterprise's capital structure and earnings leave it less resistant to adverse business conditions. The effectiveness of the organizational structure and risk management practices may be less than satisfactory relative to the enterprise's size, complexity, and risk profile. However, there is only a remote threat to the holding company enterprise's continued viability.

Composite 4. A holding company enterprise in this group has serious financial or managerial deficiencies that result in unsatisfactory performance. The supervisory concerns, which management and the board are not satisfactorily addressing, range from severe to critically deficient. A holding company enterprise in this group generally does not have sufficient capital and earnings to withstand adverse business fluctuations. The effectiveness of the organizational structure and risk management practices are generally unacceptable relative to the enterprise's size, complexity, and risk profile. The enterprise may place undue pressure on subsidiaries to meet its cash flow by upstreaming imprudent dividends or fees. Unless there is prompt action to correct these conditions, future viability could be impaired.

Composite 5. The magnitude and character of the risk management or financial weaknesses of a holding company enterprise in this category

could lead to insolvency without immediate aid from shareholders or supervisory action. The volume and severity of problems are beyond the board and management's ability or willingness to control or correct. The effectiveness of the organizational structure and risk management practices are inadequate relative to the enterprise's size, complexity, and risk profile. The inability to prevent liquidity or capital depletion places the holding company enterprise's continued viability in serious doubt.

Capital Adequacy (C) Component Rating

C reflects the adequacy of an enterprise's consolidated capital position, from a regulatory perspective and an economic capital perspective, as appropriate to the holding company enterprise. During OTS's review of capital adequacy, OTS will consider the risk inherent in an enterprise's activities and the ability of capital to absorb unanticipated losses, support business activities including the level and composition of the parent company and subsidiaries' debt, and support business plans and strategies.

Capital Rating 1. A rating of 1 indicates that the consolidated holding company enterprise maintains a more than sufficient amount of capital to support the volume and risk characteristics of its business lines and products; to provide a significant cushion to absorb unanticipated losses; and to fully support the level and composition of borrowing. In addition, the enterprise has more than sufficient capital to support its business plans and strategies, it has the ability to enter capital markets to raise additional capital as necessary, and it has a strong capital allocation and planning process.

Capital Rating 2. A rating of 2 indicates that the consolidated holding company enterprise maintains sufficient capital to support the volume and risk characteristics of its business lines and products; to provide a sufficient cushion to absorb unanticipated losses; and to support the level and composition of borrowing. In addition, the enterprise has sufficient capital to support its business plans and strategies, it has the ability to enter capital markets to raise additional capital when necessary, and it has a satisfactory capital allocation and planning process.

Capital Rating 3. A rating of 3 indicates that the consolidated holding company enterprise may not maintain sufficient capital to support the volume and risk characteristics of certain business lines and products; the unanticipated losses arising from the activities; or the level and composition of borrowing. In addition, the enterprise may not maintain a sufficient capital position to support its business plans and strategies, it may not have the ability to enter into capital markets to raise additional capital as necessary, or it may not have a sufficient capital allocation and planning process. The capital position of the consolidated holding company enterprise could quickly become insufficient if there is deterioration in operations.

Capital Rating 4. A rating of 4 indicates that the capital level of the consolidated holding company enterprise is significantly below the amount needed to ensure support for the volume and risk characteristics of certain business lines and products; the unanticipated losses arising from activities; and the level and composition of borrowing. In addition, the weaknesses in the capital position prevent the enterprise from supporting its business plans and strategies, it may not have the ability to enter into capital markets to raise additional capital as necessary, or it has a weak capital allocation or planning process.

Capital Rating 5. A rating of 5 indicates that the level of capital of the consolidated holding company enterprise is critically deficient. Immediate assistance from shareholders or other external sources of financial support is required.

Organizational Structure (O) Component Rating

The O component is an assessment of the operations and risks in the holding company enterprise. In the O component, OTS evaluates the organizational structure, considering the lines of business, affiliate relationships, concentrations, exposures, and the overall risk inherent in the structure.

OTS's analysis under the O component considers existing as well as potential issues and risks. OTS pays particular attention to the following types of risk in assigning the O rating:

Type of risk	Description
Credit/Asset	Credit risk arises from the potential that a borrower or counterparty will fail to perform on an obligation. Asset risk is the risk related to market changes or performance of a financial asset.
Market	Market risk is the risk to a financial institution's condition resulting from adverse movements in market rates or prices, such as interest rates, foreign exchange rates, or equity prices.

Type of risk	Description
Liquidity	Liquidity risk is the potential that an institution will be unable to meet its obligations as they come due because of an inability to liquidate assets or obtain adequate funding (funding liquidity risk) or that it cannot easily unwind or offset specific exposures without significantly lowering market prices because of inadequate market depth or market disruptions (market liquidity risk).
Operational	Operational risk arises from the potential that inadequate information systems, operational problems, breaches in internal controls, fraud, or unforeseen catastrophes will result in unexpected losses. Transaction risk arises from problems with service or product delivery. This risk is a function of internal controls, information systems, employee integrity, and operating processes.
Legal/Compliance	Legal risk arises from the potential that unenforceable contracts, lawsuits, or adverse judgments can disrupt or otherwise negatively affect the operations or condition of a banking organization. Compliance risk is the risk to earnings or capital arising from violations of, or nonconformance with, laws, rules, regulations, prescribed practices, or ethical standards.
Reputation	Reputation risk is the potential that negative publicity regarding an institution's business practices, whether true or not, will cause a decline in the customer base, costly litigation, or revenue reductions.
Country/Sovereign	Country risk arises from the general level of political, financial, and economic uncertainty in a country, which impacts the value of the country's bonds and equities. Sovereign risk is the risk that a central bank will impose foreign exchange regulations that will reduce or negate the value of foreign exchange contracts. It also refers to the risk of government default on a loan made to a country or guaranteed by it.
Contagion/Systemic	Contagion entails the risk that financial difficulties encountered by a business line or subsidiary of a holding company could have an adverse impact on the financial stability of the enterprise and possibly even on the markets in which the constituent parts operate. Systemic risk is defined by financial system instability, potentially catastrophic, caused or exacerbated by idiosyncratic events or conditions in financial intermediaries. Impacted areas include: market value of positions, liquidity, credit-worthiness of counterparties and obligors, default rates, liquidations, risk premia, and valuation uncertainty.
Concentration	The exposure to losses due to a concentration (assets, liabilities, off-balance-sheet) at the subsidiary, business line, and/or enterprise level.
Intra-Group Transactions	Exposures to risk that result from transactions between affiliates.
Strategic And Execution	Strategic and execution risk is the risk to earnings or capital arising from adverse business decisions or improper implementation of those decisions. This risk is a function of the compatibility of an organization's strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals, and the quality of implementation. The resources needed to carry out business strategies are both tangible and intangible. They include communication channels, operating systems, delivery networks, and managerial capacities and capabilities. Strategic risk focuses on more than an analysis of the written strategic plan. It focuses on how plans, systems, and implementation affect the enterprise's franchise value. It also incorporates how management analyzes external factors that impact the strategic direction of the company.
Insurance	
Pricing and Underwriting Risk	The risk that pricing and underwriting practices are inadequate to provide for the risks assumed.
Reserving Risk	The risk that actual losses or other contractual payments reflected in reported reserves or other liabilities will be greater than estimated.

Organizational Structure Rating 1. A rating of 1 indicates that the organizational structure, including the nature and level of risks associated with the affiliates' activities, poses minimal concern. Management controls and monitors intra-group exposures. Any concerns posed by strategic plans, the control environment, concentrations, legal or reputational issues, or other types of risk within the enterprise are minor, and management and the board can address them in the normal course of business.

Organizational Structure Rating 2. A rating of 2 indicates that the organizational structure exhibits minor weaknesses, but the nature and level of risks associated with the holding company's activities are unlikely to be material concerns. Intra-group exposures, including servicing agreements, are generally acceptable,

but isolated transactions or exposures may present limited cause for regulatory concern. Concerns posed by strategic plans, the control environment, concentrations, legal or reputational issues, or other types of risks within the enterprise are modest, and management and the board can address them in the normal course of business.

Organizational Structure Rating 3. A rating of 3 indicates that there are organizational structure weaknesses that raise supervisory concern. The nature and level of risks associated with the holding company activities are moderately likely to cause concern. Intra-group exposures, including servicing agreements, may have the potential to undermine the financial condition of other companies in the enterprise. Strategic growth plans, weaknesses in the control environment, concentrations, legal or reputational

issues, or other types of risk within the enterprise may cause regulatory concern. The enterprise may have one or more entities in the structure that could adversely affect the operation of other entities in the enterprise if management does not take corrective action.

Organizational Structure Rating 4. A rating of 4 indicates that there are weaknesses in the organizational structure of the enterprise, and/or the nature and level of risks associated with the holding company's activities are, or have a considerable likelihood of becoming, a cause for concern. Intra-group exposures, including servicing agreements, may also have the immediate potential to undermine the operations of companies in the enterprise. Strategic growth plans, weaknesses in the control environment, concentrations, legal or reputational

issues, or other types of risk within the enterprise may be of considerable cause for regulatory concern. The weaknesses identified could seriously affect the operation of one or more companies in the enterprise.

Organizational Structure Rating 5. A rating of 5 indicates that there are substantial weaknesses in the organizational structure of the enterprise, and/or the nature and level of risks associated with the activities are, or pose a high likelihood of becoming, a significant concern. Strategic growth plans, a deficient control environment, concentrations, legal or reputational issues, or other types of risk within the enterprise may

be of critical concern to one or more companies in the enterprise. The weaknesses identified seriously jeopardize the continued viability of one or more companies in the enterprise.

Risk Management (R) Component Rating

R represents OTS's evaluation of the ability of the directors and senior management, as appropriate for their respective positions, to identify, measure, monitor, and control risk. The R rating underscores the importance of the control environment, taking into consideration the complexity of the enterprise and the risk inherent in its activities.

The R rating includes an assessment of four areas: board and senior management oversight; policies, procedures, and limits; risk monitoring and management information systems; and internal controls. These areas are evaluated in the context of inherent risks as related to the size and complexity of the holding company's operations. They provide a consistent framework for evaluating risk management and the control environment. Moreover, a consistent review of these four areas provides a clear structure and basis for discussion of the R rating.

Risk management element	Description
Governance/Board and Senior Management Oversight.	This area evaluates the adequacy and effectiveness of board and senior management's understanding and management of risk inherent in the holding company enterprise's activities, as well as the general capabilities of management. It also considers management's ability to identify, understand, and control the risks within the holding company enterprise, to hire competent staff, and to respond to changes in risk profile or changes in the holding company's operating sectors.
Policies, Procedures, and Limits	This area evaluates the adequacy of policies, procedures, and limits given the risks inherent in the activities of the consolidated enterprise and its stated goals and objectives. OTS's analysis considers the adequacy of the enterprise's accounting and risk disclosure policies and procedures.
Risk Monitoring and Management Information Systems.	This area assesses the adequacy of risk measurement and monitoring, and the adequacy of the holding company's management reports and information systems. Includes a review of the assumptions, data, and procedures used to measure risk and the consistency of these tools with the level of complexity of the enterprise's activities.
Internal Controls	This area evaluates the adequacy of internal controls and internal audit procedures, including the accuracy of financial reporting and disclosure and the strength and influence of the internal audit team. Includes a review of the independence of control areas from management and the consistency of the scope coverage of the internal audit team with the complexity of the enterprise.
Insurance	
Reinsurance	Reinsurance is purchased by insurance companies to transfer risk. It provides a means to transfer risk for specific lines of business or geographic territories to provide catastrophe protection or to stabilize or reduce volatility in underwriting results.

Risk Management Rating 1. A rating of 1 indicates that management effectively identifies and controls all major enterprise risks. Management is fully prepared to address risks emanating from new products and changing market conditions. The board and management are forward-looking and active participants in managing risk. Management ensures that appropriate policies and limits exist and that the board understands, reviews, and approves them. Policies and limits are supported by risk monitoring procedures, reports, and management information systems that provide management and the board with the information and analysis necessary to make timely and appropriate decisions in response to changing conditions. Risk management practices and the enterprise's infrastructure are flexible and highly responsive to changing

industry practices and current regulatory guidance. Staff has sufficient expertise and depth to manage the risks assumed. Internal controls and audit procedures are sufficiently comprehensive and appropriate to the size and activities of the holding company. There are few noted exceptions to the enterprise's established policies and procedures, and none is material. Management effectively and accurately monitors and manages the enterprise consistent with applicable laws, regulations, and guidance, and in accordance with internal policies and procedures. Risk management processes are fully effective in identifying, monitoring, and controlling risks.

Risk Management Rating 2. A rating of 2 indicates that the enterprise's management of risk is largely effective, but exhibits some minor weaknesses.

Management and the board demonstrate a responsiveness and ability to cope successfully with existing and foreseeable risks in the business plans. While the enterprise may have some minor risk management weaknesses, management and the board have recognized and are resolving these problems. Overall, board and senior management oversight, policies and limits, risk monitoring procedures, reports, and management information systems are satisfactory and effective. Risks are controlled and do not require additional supervisory attention. The holding company enterprise's risk management practices and infrastructure are satisfactory, and management makes appropriate adjustments in response to changing industry practices and current regulatory guidance. Staff expertise and depth are generally appropriate to

manage the risks assumed. Internal controls may display modest weaknesses or deficiencies, but they are correctable in the normal course of business. The examiner may have recommendations for improvement, but the weaknesses noted should not have a significant effect on the condition of the enterprise.

Risk Management Rating 3. A rating of 3 signifies that there are moderate deficiencies in risk management practices and, therefore, there is a cause for additional supervisory attention. One or more of the four elements of sound risk management is not acceptable, which precludes the enterprise from fully addressing one or more significant risks to its operations. Certain risk management practices need improvement to ensure that management and the board are able to identify, monitor, and control all significant risks. In addition, the risk management structure may need improvement in areas of significant business activity, or staff expertise may not be commensurate with the scope and complexity of business activities. Management's response to changing industry practices and regulatory guidance may not be sufficient. The internal control system may be lacking in some important aspects, leading to continued control exceptions or failure to adhere to written policies and procedures. The risk management weaknesses could have adverse effects if management does not take corrective action.

Risk Management Rating 4. A rating of 4 represents deficient risk management practices that fail to identify, monitor, and control significant risk exposures in material respects. There is a general lack of adequate guidance and supervision by management and the board. One or more of the four elements of sound risk management is deficient and requires immediate and concerted corrective action by the board and management. The enterprise may have serious identified weaknesses that require substantial improvement in internal control, accounting procedures, or adherence to laws, regulations, and supervisory guidance. The risk management deficiencies warrant a high degree of supervisory attention because, unless properly addressed, they could seriously affect the condition of the holding company enterprise.

Risk Management Rating 5. A rating of 5 indicates a critical absence of effective risk management practices in identifying, monitoring, or controlling significant risk exposures. One or more of the four elements of sound risk

management is wholly deficient, and management and the board have not demonstrated the capability to address these deficiencies. Internal controls are critically weak and could seriously jeopardize the continued viability of the enterprise. If not already evident, there is an immediate concern about the reliability of accounting records and regulatory reports and the potential for losses if corrective measures are not taken immediately. Deficiencies in the enterprise's risk management procedures and internal controls require immediate and close supervisory attention.

Earnings (E) Component Rating

E reflects the consolidated holding company enterprise's overall financial performance, including measures such as the quality of consolidated earnings, profitability, and liquidity. OTS's review of this area considers the level, trend, and sources of earnings on a consolidated level as well as for material legal entities or business lines. OTS also assesses the ability of earnings to augment capital and to provide ongoing support for an enterprise's activities.

Within this component, OTS also considers the liquidity of the enterprise. This rating reflects the consolidated holding company enterprise's ability to attract and maintain the sources of funds necessary to achieve financial efficiency, support operations, and meet obligations. OTS evaluates the funding conditions for each of the material legal entities in the holding company structure to determine if any weaknesses exist that could affect the funding profile of the consolidated enterprise.

Earnings Rating 1. A rating of 1 indicates that the consolidated holding company enterprise's overall financial performance is solid. The quantity and quality of earnings for material business lines and subsidiaries are sufficient to make full provision for the absorption of losses and/or accretion of capital in light of asset quality and business plan objectives. The enterprise has strong liquidity levels along with well-developed funds management practices. The parent company and subsidiaries have reliable and sufficient access to sources of funds on favorable terms to meet present and anticipated liquidity needs.

Earnings Rating 2. A rating of 2 indicates that the consolidated holding company enterprise's financial performance is adequate. The quantity and quality of the earnings for major business lines and subsidiaries are generally adequate to make provision

for the absorption of losses and/or accretion of capital in light of asset quality and business plan objectives. The enterprise maintains satisfactory liquidity levels and funds management practices. The parent company and subsidiaries have access to sufficient sources of funds on acceptable terms to meet present and anticipated liquidity needs. Modest weaknesses in funds management practices may be evident, but management and the board can correct those weaknesses in the normal course of business.

Earnings Rating 3. A rating of 3 indicates that the consolidated holding company enterprise's financial performance exhibits modest weaknesses. Major business line and subsidiary earnings are not fully adequate to make provisions for the absorption of losses and the accretion of capital in relation to the business plan objectives. The financial performance of this enterprise may reflect static or inconsistent earnings trends, chronically insufficient earnings, or less than satisfactory asset quality. This enterprise's liquidity levels or funds management practices may need improvement. The enterprise may lack ready access to funds on reasonable terms or may evidence significant weaknesses in funds management practices at the parent company or subsidiary levels. However, these deficiencies are correctable in the normal course of business with sufficient board and management attention.

Earnings Rating 4. A rating of 4 indicates that the consolidated holding company enterprise's financial performance is weak. Major business line or subsidiary earnings are insufficient to provide for losses and the necessary accretion of capital. The enterprise may exhibit erratic fluctuations in net income, poor earnings (and the likelihood of a further downward trend), intermittent losses, chronically depressed earnings, or a substantial drop from previous performance. The liquidity levels or funds management practices of this holding company enterprise may be deficient. The enterprise may not have or be able to obtain a sufficient volume of funds on reasonable terms to meet liquidity needs at the parent company or subsidiary levels.

Earnings Rating 5. A rating of 5 indicates that the consolidated holding company enterprise has poor financial performance and one or more business lines or subsidiaries are experiencing losses. In addition, such losses, if not reversed, represent a distinct threat to the enterprise's solvency through

erosion of capital. Further, the liquidity levels or funds management practices are critically deficient and may threaten continued viability. The enterprise requires immediate external financial assistance to meet maturing obligations or other liquidity needs.

Dated: December 14, 2007.

By the Office of Thrift Supervision.

John M. Reich,

Director.

[FR Doc. E7-24742 Filed 12-19-07; 8:45 am]

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DEPARTMENT OF VETERANS AFFAIRS

Genomic Medicine Program Advisory Committee; Notice of Meeting

The Department of Veterans Affairs (VA) gives notice under Public Law 92-

463 (Federal Advisory Committee Act) that the Genomic Medicine Program Advisory Committee will conduct a telephone conference call meeting from 1 p.m. to 3 p.m. on January 7, 2008, at VA Central Office, 1722 I Street, NW., Room 900, Washington, DC. The meeting is open to the public.

The purpose of the Committee is to provide advice and make recommendations to the Secretary of Veterans Affairs on using genetic information to optimize medical care of veterans and to enhance development of tests and treatments for diseases particularly relevant to veterans.

At the January 7 meeting, the Committee will review recommendations of the Hereditary Non-polyposis Colorectal Cancer Advisory Working Group and the Endocrine Tumors Advisory Working

Group. Chairs of the two groups will summarize the work of their panels.

A ten minute period will be reserved at 1:30 p.m. Eastern Time for public comments. Members of the public may also submit, at the time of the meeting, a 1-2 page summary of their comments for inclusion in the official meeting record. Any member of the public seeking additional information, to include details regarding telephone access to the meeting, should contact Dr. Sumitra Muralidhar at sumitra.muralidhar@va.gov.

Dated: December 13, 2007.

By Direction of the Secretary:

E. Phillip Riggan,

Committee Management Officer.

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