

Service Zip Code 36330 and includes no stations.

WCR states that, based on information in WCR's possession, the line does not contain Federally granted rights-of-way. Any documentation in WCR's possession will be made available promptly to those requesting it.

The interests of railroad employees will be protected by the conditions set forth in *Oregon Short Line Railroad—Abandonment Portion Goshen Branch Between Firth & Ammon, In Bingham & Bonneville Counties, Idaho*, 360 I.C.C. 91 (1979).

By issuance of this notice, the Board is instituting an exemption proceeding pursuant to 49 U.S.C. 10502(b). A final decision will be issued by February 27, 2012.

Any offer of financial assistance (OFA) under 49 CFR 1152.27(b)(2) will be due no later than 10 days after service of a decision granting the petition for exemption. Each OFA must be accompanied by a \$1,500 filing fee. See 49 CFR 1002.2(f)(25).

All interested persons should be aware that, following abandonment of rail service and salvage of the line, the line may be suitable for other public use, including interim trail use. Any request for a public use condition under 49 CFR 1152.28 or for trail use/rail banking under 49 CFR 1152.29 will be due no later than December 19, 2011. Each trail request must be accompanied by a \$250 filing fee. See 49 CFR 1002.2(f)(27).

All filings in response to this notice must refer to Docket No. AB 1077X and must be sent to: (1) Surface Transportation Board, 395 E Street SW., Washington, DC 20423-0001; and (2) Melanie B. Yasbin, 600 Baltimore Avenue, Suite 301, Towson, MD 21204. Replies to the petition are due on or before December 19, 2011.

Persons seeking further information concerning abandonment procedures may contact the Board's Office of Public Assistance, Governmental Affairs and Compliance at (202) 245-0238 or refer to the full abandonment regulations at 49 CFR pt. 1152. Questions concerning environmental issues may be directed to the Board's Office of Environmental Analysis (OEA) at (202) 245-0305. Assistance for the hearing impaired is available through the Federal Information Relay Service (FIRS) at 1-(800) 877-8339.

An environmental assessment (EA) (or environmental impact statement (EIS), if necessary) prepared by OEA will be served upon all parties of record and upon any agencies or other persons who commented during its preparation. Other interested persons may contact

OEA to obtain a copy of the EA (or EIS). EAs in these abandonment proceedings normally will be made available within 60 days of the filing of the petition. The deadline for submission of comments on the EA generally will be within 30 days of its service.

Board decisions and notices are available on our Web site at <http://www.stb.dot.gov>.

Decided: November 17, 2011.

By the Board.

Rachel D. Campbell,
Director, Office of Proceedings.

Raina S. White,
Clearance Clerk.

[FR Doc. 2011-30295 Filed 11-28-11; 8:45 am]

BILLING CODE 4915-01-P

DEPARTMENT OF THE TREASURY

Submission for OMB Review; Comment Request

November 23, 2011.

The Department of the Treasury will submit the following information collection request to the Office of Management and Budget (OMB) for review and clearance in accordance with the Paperwork Reduction Act of 1995, Public Law 104-13, on or after the date of publication of this notice.

DATES: Comments should be received on or before December 29, 2011 to be assured of consideration.

ADDRESSES: Send comments regarding the burden estimate, or any other aspect of the information collection, including suggestion for reducing the burden, to (1) Office of Information and Regulatory Affairs, Office of Management and Budget, Attention: Desk Officer for Treasury, New Executive Office Building, Room 10235, Washington, DC 20503, or email at OIRA_Submission@OMB.EOP.GOV and (2) Treasury PRA Clearance Officer, 1750 Pennsylvania Ave., NW., Suite 11020, Washington, DC 20220, or online at <http://www.PRACOMMENT.GOV>.

FOR FURTHER INFORMATION CONTACT: Copies of the submission(s) may be obtained by calling (202) 927-5331, email at PRA@treasury.gov, or the entire information collection request may be found at <http://www.reginfo.gov>.

Small Business Lending Fund (SBLF)

OMB Number: 1505-0228.

Type of Review: Revision a currently approved collection.

Title: Requirement to report quarterly data on Small Business Lending.

Abstract: Once accepted into the SBLF program, a bank is required to

submit a Supplemental Report each quarter. The Supplemental Report serves two purposes. First, the Quarterly Supplemental Report is used to determine the bank's small business lending baseline. Second, every quarter thereafter, the bank files a Supplemental Report quarterly so that Treasury can assess the change in the small business lending for the previous quarter. That change from the historical baseline is used to set the dividend rate for the next quarter.

Affected Public: Banks and lending institutions that were approved by Treasury to participate in the Small Business Lending Fund.

Estimated Total Annual Burden Hours: 5,600.

Dawn D. Wolfgang,

Treasury PRA Clearance Officer.

[FR Doc. 2011-30718 Filed 11-28-11; 8:45 am]

BILLING CODE 4810-25-P

DEPARTMENT OF THE TREASURY

Office of the Comptroller of the Currency

[Docket No. OCC-2011-0022]

RIN 1557-AD36

Guidance on Due Diligence Requirements in Determining Whether Investment Securities Are Eligible for Investment

AGENCY: Office of the Comptroller of the Currency, Treasury (OCC).

ACTION: Proposed guidance with request for comment.

SUMMARY: The Office of the Comptroller of the Currency (OCC) is proposing guidance to assist national banks and Federal savings associations in meeting due diligence requirements in assessing credit risk for portfolio investments.

DATES: Comments must be received December 29, 2011.

ADDRESSES: Because paper mail in the Washington, DC area and at the OCC is subject to delay, commenters are encouraged to submit comments by the Federal eRulemaking Portal or email, if possible. Please use the title "Guidance on Due Diligence Requirements in Determining Whether Investment Securities Are Eligible for Investment" to facilitate the organization and review of the comments. You may submit comments by any of the following methods:

- **Email:**
regs.comments@occ.treas.gov.
- **Mail:** Office of the Comptroller of the Currency, 250 E Street SW., Mail Stop 2-3, Washington, DC 20219.

- *Fax:* (202) 874-5274.
- *Hand Delivery/Courier:* 250 E Street SW., Mail Stop 2-3, Washington, DC 20219.

Instructions: You must include "OCC" as the agency name and "Docket Number OCC-2011-0022" in your comment. In general, OCC will enter all comments received into the docket and publish them on the Regulations.gov Web site without change, including any business or personal information that you provide such as name and address information, email addresses, or phone numbers. Comments received, including attachments and other supporting materials, are part of the public record and subject to public disclosure. Do not enclose any information in your comment or supporting materials that you consider confidential or inappropriate for public disclosure.

You may review comments and other related materials that pertain to this proposed rulemaking by any of the following methods:

- **Viewing Comments Personally:** You may personally inspect and photocopy comments at the OCC, 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) 874-4700. 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.

- **Docket:** You may also view or request available background documents and project summaries using the methods described above.

FOR FURTHER INFORMATION CONTACT:

Kerri Corn, Director for Market Risk, Credit and Market Risk Division, (202) 874-4660; or Carl Kaminski, Senior Attorney, or Kevin Korzeniewski, Attorney, Legislative and Regulatory Activities Division, (202) 874-5090; or Eugene H. Cantor, Counsel, Securities and Corporate Practices Division, (202) 874-5202, Office of the Comptroller of the Currency, 250 E Street SW., Washington, DC 20219.

SUPPLEMENTARY INFORMATION: Section 939A of the Dodd-Frank Wall Street Reform and Consumer Protection Act¹ requires each Federal agency, within one year of enactment, to review: (1) Any regulations that require the use of an assessment of the creditworthiness of a security or money market instrument, and (2) any references to or requirements in those regulations regarding credit ratings. Section 939A then requires the Federal agencies to

modify the regulations identified during the review to substitute any references to or requirements of reliance on credit ratings with such standards of creditworthiness that each agency determines to be appropriate. The statute provides that the agencies shall seek to establish, to the extent feasible, uniform standards of creditworthiness, taking into account the entities the agencies regulate and the purposes for which those entities would rely on such standards.

The Office of the Comptroller of the Currency (OCC) is issuing a notice of proposed rulemaking (NPRM), published on the same date as this proposed guidance. The NPRM proposes to remove references to credit ratings in the OCC's non-capital regulations. In particular, the OCC proposes to amend the definition of "investment grade" in 12 CFR part 1 to no longer reference credit ratings. Instead, "investment grade" securities would be those where the issuer has an adequate capacity to meet the financial commitments under the security for the projected life of the investment. An issuer has an adequate capacity to meet financial commitments if the risk of default by the obligor is low and the full and timely repayment of principal and interest is expected. Generally, securities with good to very strong credit quality will meet this standard. National banks will have to meet this new standard before purchasing investment securities.

OCC also is proposing to define the term "investment grade," for Federal savings associations, as it is used in Part 160, to refer to 12 U.S.C. 1831e. This effectively will reference the current ratings-based requirement until such time as the requirement is replaced by the FDIC. In addition, the OCC is proposing to remove references to credit ratings applicable to commercial paper and corporate debt securities contained in §§ 160.40 and 160.93(e)(5)(ii). Under the revised rules, savings associations would be permitted to invest in commercial paper if it meets the standards set forth at 12 U.S.C. 1831e(d)(1), which currently limits savings associations to purchasing corporate debt securities that are of investment grade, but will, after July 21, 2012, include a new creditworthiness standard established by the FDIC.

In addition, national banks and Federal savings associations should continue to maintain appropriate ongoing reviews of their investment portfolios to verify that their portfolios meet safety and soundness requirements that are appropriate for the institution's risk profile and for the size and

complexity of their portfolios. The OCC is issuing this proposed supervisory guidance explaining the due diligence national banks and Federal savings associations should conduct in purchasing investment securities for their investment portfolios and to reiterate supervisory expectations for the securities the institution actually purchases.

Text of Proposed Guidance

The text of the proposed supervisory guidance on due diligence national banks and Federal savings associations should conduct in assessing credit risk for portfolio investments as required by 12 CFR Part 1 and 12 CFR part 160 (specifically, 12 CFR 1.5 and 12 CFR 160.1(b) and 160.40(c)) follows:

Purpose

The Office of the Comptroller of the Currency (OCC) is issuing this guidance ("Guidance") to clarify steps national banks ordinarily should take to demonstrate they have properly verified their investments meet the newly established credit quality standards under 12 CFR part 1 and steps national banks and Federal savings associations should take to demonstrate they met due diligence requirements when purchasing investment securities and conducting ongoing reviews of their investment portfolios. Federal savings associations will need to follow FDIC requirements when that Agency promulgates credit quality standards under 12 U.S.C. 1831e. These standards determine whether national banks may purchase, sell, deal in, underwrite, and hold securities consistent with the authority contained in 12 U.S.C. 24(Seventh), and whether Federal saving associations may invest in, sell, or otherwise deal in securities consistent with the authority contained in 12 U.S.C. 1464(c). The activities of national banks and Federal savings associations also must be consistent with safe and sound banking practices, and this guidance reminds national banks and Federal savings associations of the supervisory risk management expectations associated with permissible investment portfolio holdings under Part 1 and Part 160.

Background

Parts 1 and 160 provide standards for determining whether securities have appropriate credit quality and marketability characteristics to be purchased and held by national banks or Federal savings associations. These requirements also establish concentration limits on the amount of investment securities an institution may

¹ Public Law 111-203, Section 939A (July 21, 2010) (Dodd-Frank Act).

hold for its own account. An investment security must be “investment grade.” For the purpose of Part 1, “investment grade” securities are those where the issuer has an adequate capacity to meet the financial commitments under the security for the projected life of the investment. An issuer has an adequate capacity to meet financial commitments if the risk of default by the obligor is low and the full and timely repayment of principal and interest is expected. Generally, securities with good to very strong credit quality will meet this standard.

National banks and Federal savings associations must be able to demonstrate that their investment securities meet applicable credit quality standards. This Guidance provides criteria that national banks can use in meeting Part 1 credit quality standards and that national banks and Federal savings associations can use in meeting due diligence requirements.

The OCC has had a long-standing expectation that national banks implement a risk management process to ensure credit risk, including credit risk in the investment portfolio, is effectively identified, measured, monitored, and controlled. *The 1998 Interagency Supervisory Policy Statement on Investment Securities and End-User Derivatives Activities* (Policy Statement) contains risk management standards for the investment activities of banks and savings associations.² The Policy Statement emphasizes the importance of an institution conducting a thorough credit risk analysis before and periodically after the acquisition of a security. Such analyses allow an institution to understand and effectively manage the risks within its investment portfolio, including credit risk, and are an essential element of a sound investment portfolio risk management framework. Other previously issued guidance that supplements OCC investment standards are OCC 2009–15, “Risk Management and Lessons Learned” (which highlights lessons learned during the market disruption and re-emphasizes the key principles discussed in previously issued OCC

guidance on portfolio risk management); OCC 2004–25, “Uniform Agreement on the Classification of Securities” (which describes the importance of management’s credit risk analysis and its use in examiner decisions concerning investment security risk ratings and classifications); and OCC 2002–19, “Supplemental Guidance, Unsafe and Unsound Investment Portfolio Practices” (which alerts banks to the potential risk to future earnings and capital from poor investment decisions made during periods of low levels of interest rates and emphasizes the importance of maintaining prudent credit, interest rate, and liquidity risk management practices to control risk in the investment portfolio).³

Determining Whether Securities Are Permissible Prior to Purchase

The OCC’s elimination of references to credit ratings, in accordance with the Dodd-Frank Act, does not substantively change the standards institutions should use when deciding whether securities are eligible for purchase under Part 1. To be eligible for purchase under Part 1, investments must meet the standard of being “investment grade.” Investments are considered “investment grade” if they meet the regulatory standard for credit quality. To meet this standard, a national bank must be able to determine that an investment security has (1) Low risk of default by the obligor, and (2) the full and timely repayment of principal and interest is expected, over the expected life of the investment.⁴ A Federal savings association must meet the same standard when purchasing certain municipal revenue bonds pursuant to 12 CFR 160.24, and they must meet the standards in 12 U.S.C.

³ Similar requirements also apply to Federal savings associations as set forth in OTS Examination Handbook Section 540, *Investment Securities* (January 2010).

⁴ Federal savings associations may invest in and hold investment securities under section 5(c) of the Home Owners’ Loan Act (HOLA), to the extent specified in regulations of the OCC. While OCC regulations imposing investment limitations generally apply to Federal savings associations, the Federal Deposit Insurance Act (FDIA), 12 U.S.C. 1831e(d)(1) also applies. Under this provision, savings associations currently are prohibited from investing in corporate debt securities unless they are rated “investment grade.” However, the Dodd-Frank Act provides that as of July 21, 2012, this statutory requirement will be replaced by standards of creditworthiness established by the FDIC. Pub. L. 111–203, Section 939(a)(2) (July 21, 2010).

1831e when purchasing corporate debt securities.

The OCC expects national banks and Federal savings associations to conduct an appropriate level of due diligence to determine that an investment security is a permissible investment. This may include consideration of internal analyses, third party research and analytics including external credit ratings, internal risk ratings, default statistics, and other sources of information as appropriate for the particular security. The depth of the due diligence should be a function of the security’s credit quality, the complexity of the structure, and the size of the investment. The more complex a security’s structure is, the more credit-related due diligence an institution should perform, even when the credit quality is perceived to be very high. Bank management should ensure they understand the security’s structure and how the security will perform in different default environments, and should be particularly diligent when purchasing structured securities.⁵ The OCC expects national banks and Federal savings associations to consider a variety of factors relevant to the particular security when determining whether a security is a permissible and sound investment. The range and type of specific factors an institution should consider will vary depending on the particular type and nature of the securities. As a general matter, a national bank or Federal savings association will have a greater burden to support its determination if one factor is contradicted by a finding under another factor.

Although Part 1 has no specified quality requirements for type I securities, as a matter of prudent banking practice, national banks should conduct an appropriate level of due diligence prior to purchasing a material amount (to the institution) of these type I securities.

By way of example, appropriate factors for designated types of instruments may include but not be limited to the following:

⁵ For example, a national bank or Federal savings association should be able to demonstrate an understanding of the effects on cash flows of a structured security assuming varying default levels in the underlying assets.

² On April 23, 1998, the FRB, FDIC, NCUA, OCC, and OTS issued the “Supervisory Policy Statement on Investment Securities and End-User Derivatives Activities.” As issued by the OTS, the Policy Statement applied to both state and Federal savings associations.

Key factors	Corporate bonds	Municipal government general obligations	Revenue bonds	Structured products
Confirm spread to U.S. Treasuries is consistent with bonds of similar credit quality	X	X	X	X
Confirm risk of default is low and consistent with bonds of similar credit quality	X	X	X	X
Confirm capacity to pay through internal credit analysis and/or other third party analytics, as appropriate for the particular security	X	X	X	X
Evaluate the soundness of a municipal's budgetary position and stability of its tax revenues		X		
Understand local demographics/economics	X	X	X	
Assess the source and strength of revenue structure for municipal authorities			X	
Understand the class or tranche and its relative position in the securitization structure				X
Assess the position in the cash flow waterfall				X
Understand loss allocation rules, the potential impact of performance triggers, and support provided by credit enhancements				X
Evaluate and understand the quality of the underwriting of the underlying collateral as well as any risk concentrations				X
Determine whether current underwriting is consistent with the original underwriting underlying the historical performance of the collateral and consider the affect of any changes.				X
Assess the structural subordination and determine if adequate given current underwriting standards				X
Analyze and understand the impact of collateral deterioration on tranche performance and potential credit losses under stress scenarios				X

Maintaining an Appropriate and Effective Portfolio Risk Management Framework

National banks and Federal savings associations must have in place an appropriate risk management framework for the level of risk in their investment portfolios. Failure to maintain an adequate investment portfolio risk management process, which includes understanding key portfolio risks, is considered an unsafe and unsound practice. Twelve CFR part 1 emphasizes that national bank purchases of investment securities must comply with safe and sound banking practices. Under 12 CFR 1.5, national banks must consider, as appropriate, liquidity and price risk, as well as other risks presented by proposed securities activities. Federal savings associations also must conform to safe and sound banking practices and similarly must consider appropriate investment portfolio risks in their purchases of investment securities. Applicable guidance includes TB 73a, Thrift Activities Asset Quality, Investment Securities (December 18, 2001) and TB 13a, Thrift Activities Interest Rate Risk, Investment Securities, and Derivatives Activities (December 1, 1998).

Having a strong and robust risk management framework appropriate for the level of risk in an institution's investment portfolio is particularly critical for managing portfolio credit risk. A key role for management in the oversight process is to translate the

board of directors' tolerance for risk into a set of internal operating policies and procedures that govern the institution's investment activities. Specifically, investment policies should provide credit risk concentration limits. Such limits may apply to concentrations relating to a single or related issuer, a geographical area, and obligations with similar characteristics. Institutions possessing investment portfolios that lack diversification in one of the aforementioned areas should enhance their monitoring and reporting systems. Safety and soundness principles warrant effective concentration risk management programs to ensure that credit exposures do not reach an excessive level.

Institutions should identify and measure the risks of their investments periodically after purchase. Such analyses allow an institution to understand and effectively manage the risks within its investment portfolio, including credit risk, and are an essential element of a sound investment portfolio risk management framework. Exposure to each type of risk for each security should be measured and aggregated with similar exposures on an institution-wide basis. Risk measurement should be obtained from sources independent of sellers or counterparties and should be periodically validated. Irrespective of any contractual or other arrangements, institutions are responsible for

understanding and managing the risks of all of their transactions.

Request for Comment

The OCC requests comment on all aspects of this proposed guidance. Specifically, the OCC would like commenters' views on:

1. Does the proposed guidance sufficiently assist national banks in making determinations of which securities would be considered "investment grade?" Does it sufficiently assist Federal savings associations in meeting their due diligence requirements? How could the guidance be improved?

2. Should the guidance provide differentiations based on size and scope of operations for national banks and Federal savings associations with respect to consideration of the factors relevant to whether a national bank or Federal savings association has satisfied its due diligence requirements or whether a particular security has good credit quality?

3. Does the proposed guidance adequately reflect the bulk of investment securities purchased by national banks and Federal savings associations? Are there other investments that receive credit ratings that should be included?

Dated: November 18, 2011.

John Walsh,

Acting Comptroller of the Currency.

[FR Doc. 2011-30420 Filed 11-28-11; 8:45 am]

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