

Note 3: The subject of this AD is addressed in Transport Canada (Canada) AD No. CF-2000-04, dated February 8, 2000.

Issued in Fort Worth, Texas, on October 27, 2000.

Henry A. Armstrong,

Manager, Rotorcraft Directorate, Aircraft Certification Service.

[FR Doc. 00-28235 Filed 11-6-00; 8:45 am]

BILLING CODE 4910-13-U

COMMODITY FUTURES TRADING COMMISSION

17 CFR Part 1

RIN 3038-AB54

Minimum Financial Requirements for Futures Commission Merchants and Introducing Brokers; Amendment to the Capital Charge on Unsecured Receivables Due From Foreign Brokers

AGENCY: Commodity Futures Trading Commission.

ACTION: Final rule.

SUMMARY: The Commodity Futures Trading Commission. ("Commission") is amending its net capital rule to expand the exemption from the five percent capital charge that a futures commission merchant ("FCM") or introducing broker is required to take against unsecured foreign broker receivables in computing its adjusted net capital.¹

EFFECTIVE DATE: December 7, 2000.

FOR FURTHER INFORMATION CONTACT: Thomas J. Smith, Special Counsel, Division of Trading and Markets, Commodity Futures Trading Commission, Three Lafayette Center, 1155 21st Street, NW, Washington, DC 20581; telephone (202) 418-5495; electronic mail tsmith@cftc.gov; or Henry J. Matecki, Financial Audit and Review Branch, Division of Trading and Markets, Commodity Futures Trading Commission, 300 South Riverside Plaza, Suite 1600 North, Chicago, IL 60606; telephone (312) 353-6642; electronic mail hmatecki@cftc.gov.

SUPPLEMENTARY INFORMATION:

¹ An introducing broker ("IB") is required to maintain minimum adjusted net capital of \$30,000, unless the IB has entered into a guarantee agreement with an FCM in the form prescribed in the Commission's rules. The industry has commonly distinguished between such IBs as Guaranteed IBs and Independent IBs ("IBIs"), the latter being subject to the \$30,000 minimum capital requirement. The rule changes being adopted herein affect those IBs identified as IBIs.

I. Rule Amendments

On August 28, 2000, the Commission published for comment proposed amendments to Rule 1.17(c)(5)(xiii) ("proposing release").² The comment period expired on September 27, 2000. No comments were received. Accordingly, the Commission is adopting the amendments as proposed.

Commission Rule 1.17(c)(5)(xiii) requires an FCM or IBI, in computing its adjusted net capital, to take a five percent capital charge on any unsecured receivables resulting from commodity futures and option transactions executed on foreign boards of trade and which are due from foreign brokers that are not registered with the Commission as FCMs or with the Securities and Exchange Commission ("SEC") as securities brokers or dealers.³ As more fully set forth in the proposing release, Rule 1.17(c)(5)(xiii) currently permits an FCM or IBI to exclude from the five percent capital charge that portion of the unsecured receivable that represents amounts required to be on deposit to maintain futures and option positions transacted on foreign boards of trade. Deposits in excess of required margin or performance bond are subject to the capital charge. In addition, to be exempt from the capital charge, the receivable must be due from a foreign broker that has received confirmation of "comparability relief" in accordance with a Commission order issued under Rule 30.10 and the margin deposits must be held by the foreign broker itself, another foreign broker that has received confirmation of Rule 30.10 "comparability relief," or at a depository that qualifies as a depository pursuant to Rule 30.7 and which is located within the same jurisdiction as either foreign broker.⁴

² 65 FR 52051 (August 28, 2000).

³ Commission regulations cited herein may be found at 17 CFR Ch. I (2000).

⁴ Under Rule 30.10 and Appendix A thereto, the Commission may exempt a foreign firm from compliance with certain Commission rules provided that a comparable regulatory system exists in the firm's home country and that certain safeguards are in place to protect U.S. customers, including an information-sharing arrangement between the Commission and the firm's home country regulator or self-regulatory organization ("SRO"). Once the Commission determines that the foreign jurisdiction's regulatory structure offers comparable regulatory oversight, the Commission issues an order granting general relief subject to certain conditions. Foreign firms seeking confirmation of this relief must make certain representations set forth in the Rule 30.10 order issued to the regulator or SRO from the firm's home country. Appendix C to Part 30 lists those foreign regulators and SROs that have been issued a Rule 30.10 order by the Commission.

Rule 30.7(c) sets forth acceptable depositories for funds deposited by U.S. customers with foreign

The amendments being adopted herein increase the maximum amount eligible for exclusion from the five percent capital charge to the greater of: 150 percent of the amount immediately required to support futures and option transactions in an account; or 100 percent of the maximum amount required to support futures and option transactions at any time during the preceding six-month period. The amendments are intended to provide FCMs and IBIs with greater flexibility with respect to their cash and risk management while also reducing costs associated with frequent transfers of excess margin funds out of foreign brokers in order to avoid the five percent capital charge.

The amendments also eliminate the requirement that an FCM or IBI be responsible for monitoring the ultimate destination of margin funds deposited with a Rule 30.10 foreign broker in order for such funds to qualify for the exemption from the capital charge. As set forth in the proposing release, by granting Rule 30.10 "comparability relief" to a foreign broker, the Commission has made a determination that the foreign broker is subject to a regulatory structure that is comparable to the structure imposed on entities that operate on U.S. futures exchanges. Of particular relevance is that the Commission, as part of the Rule 30.10 petition process, assesses the extent to which a foreign broker is subject to a regulatory program that imposes bona fide minimum financial requirements on its regulatees or members and that provides for the protection of customers by the segregation of funds and bankruptcy rules.⁵ The Commission's determination that these standards and protections exist and are enforced supports an easing of the capital charge.

II. Related Matters

A. Regulatory Flexibility Act

The Regulatory Flexibility Act ("RFA"), 5 U.S.C. 601-611, requires that agencies, in adopting rules, consider the impact of those rules on small businesses. The Commission has previously established certain definitions of "small entities" to be used by the Commission in evaluating the impact of its rules on such entities.⁶ The Commission previously has determined

brokers for futures and option trading on foreign boards of trade.

⁵ The specific elements examined in evaluating whether a particular foreign regulatory program provides a basis for permitting substituted compliance for purposes of exemptive relief pursuant to Rule 30.10 are set forth in Appendix A to Part 30.

⁶ 47 FR 18618-18621 (April 30, 1982).

that registered FCMs are not small entities for the purposes of the RFA.⁷ With respect to IBIs, the Commission stated that it is appropriate to evaluate within the context of a particular rule whether some or all introducing broker should be considered to be small entities and, if so, to analyze the economic impact on such entities at that time.⁸ The amendments to Rule 1.17(c)(5)(xiii) expanding the amount of funds that may be excluded from the foreign brokers receivable capital charge do not impose additional requirements on an IBI. Therefore, the Chairman, on behalf of the Commission, certifies that these regulations will not have a significant economic impact on a substantial number of small entities.

B. Paperwork Reduction Act

The Paperwork Reduction Act of 1995, 44 U.S.C. 3501 *et seq.* (Supp. I 1995), imposes certain requirements on federal agencies (including the Commission) to review rules and rule amendments to evaluate the information collection burden that they impose on the public. The Commission believes that the amendments to Rule 1.17(c)(5)(xiii) will impose a minimal information collection burden on the public, namely those FCMs and IBIs who wish to take advantage of the exemption will be required to maintain a record of the margins required to be on deposit with a foreign broker over the preceding six month period. However, this burden is believed to be minimal when compared to the capital savings to be generated by the exclusion of increased amounts from the capital charge.

List of Subjects in 17 CFR Part 1

Brokers, Commodity futures.

In consideration of the foregoing and pursuant to the authority contained in the Commodity Exchange Act and, in particular, Sections 4(b), 4f, 4g, and 8a(5) thereof, 7 U.S.C. 6(b), 6d, 6g, and 12a(5), the Commission hereby amends Chapter I of Title 17 of the Code of Federal Regulations as follows:

PART 1—GENERAL REGULATIONS UNDER THE COMMODITY EXCHANGE ACT

1. The authority citation for Part 1 continues to read as follows:

Authority. 7 U.S.C. 1a, 2, 2a, 4, 4a, 6, 6a, 6b, 6c, 6d, 6e, 6f, 6g, 6h, 6i, 6j, 6k, 6l, 6m, 6n, 6o, 6p, 7, 7a, 7b, 8, 9, 12, 12a 12c, 13a, 13a–1, 16, 16a, 19, 21, 23, and 24.

2. Section 1.17 is amended by revising paragraph (c)(5)(xiii) to read as follows:

§1.17 Minimum financial requirements for futures commission merchants and introducing brokers.

* * * * *

(c) * * *

(5) * * *

(xiii) Five percent of all unsecured receivables includable under paragraph (c)(2)(ii)(D) of this section used by the applicant or registrant in computing “net capital” and which are not due from:

(A) A registered futures commission merchant;

(B) A broker or dealer that is registered as such with the Securities and Exchange Commission; or

(C) A foreign broker that has been granted comparability relief pursuant to §30.10 of this chapter, *Provided, however*, that the amount of the unsecured receivable not subject to the five percent capital charge is no greater than 150 percent of the current amount required to maintain futures and option positions in accounts with the foreign broker, or 100 percent of such greater amount required to maintain futures and option positions in the accounts at any time during the previous six-month period, and *Provided, that*, in the case of customer funds, such account is treated in accordance with the special requirements of the applicable Commission order issued under §30.10 of this chapter.

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Issued in Washington, DC, on November 1, 2000, by the Commission.

Jean A. Webb,

Secretary of the Commission.

[FR Doc. 00–28492 Filed 11–6–00; 8:45 am]

BILLING CODE 6351–01–M

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Food and Drug Administration

21 CFR Part 524

Ophthalmic and Topical Dosage Form New Animal Drugs; Enrofloxacin, Silver Sulfadiazine Emulsion

AGENCY: Food and Drug Administration, HHS.

ACTION: Final rule.

SUMMARY: The Food and Drug Administration (FDA) is amending the animal drug regulations to reflect approval of a new animal drug application (NADA) filed by Bayer Corp., Agriculture Division, Animal

Health. The NADA provides for veterinary prescription use of an enrofloxacin/silver sulfadiazine otic emulsion to treat otitis externa in dogs.

DATES: This rule is effective November 7, 2000.

FOR FURTHER INFORMATION CONTACT:

Melanie R. Berson, Center for Veterinary Medicine (HFV–110), Food and Drug Administration, 7500 Standish Pl., Rockville, MD 20855, 301–827–7540.

SUPPLEMENTARY INFORMATION:

Bayer Corp., Agriculture Division, Animal Health, P.O. Box 390, Shawnee Mission, KS 66201, filed NADA 141–176 that provides for veterinary prescription use of BAYTRIL® (0.5 % enrofloxacin/1.0% silver sulfadiazine) Otic Emulsion for the treatment of otitis externa in dogs. The NADA is approved as of September 29, 2000, and the regulations are amended in 21 CFR part 524 by adding new section 524.802 to reflect the approval. The basis of approval is discussed in the freedom of information summary.

In accordance with the freedom of information provisions of 21 CFR part 20 and 514.11(e)(2)(ii), a summary of safety and effectiveness data and information submitted to support approval of this application may be seen in the Dockets Management Branch (HFA–305), Food and Drug Administration, 5630 Fishers Lane, rm. 1061, Rockville, MD 20852, between 9 a.m. and 4 p.m., Monday through Friday.

Under section 512(c)(2)(F)(ii) of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 360b(c)(2)(F)(ii)), this approval qualifies for 3 years of marketing exclusivity beginning September 29, 2000, because the application contains substantial evidence of effectiveness of the drug involved, or any studies of animal safety, required for approval of the application and conducted or sponsored by the applicant.

The agency has determined under 21 CFR 25.33(d)(1) that this action is of a type that does not individually or cumulatively have a significant effect on the human environment. Therefore, neither an environmental assessment nor an environmental impact statement is required.

This rule does not meet the definition of “rule” in 5 U.S.C. 804(3)(A) because it is a rule of “particular applicability.” Therefore, it is not subject to the congressional review requirements in 5 U.S.C. 801–808.

List of Subjects in 21 CFR Part 524

Animal drugs.

⁷ 47 FR 18619–1820.

⁸ 48 FR 35248, 35275–78 (August 3, 1983).