

the above-referenced proceeding on July 18, 2006, in the Commission Meeting Room. The meeting will begin at 9 a.m. (Eastern Daylight Savings Time) and conclude at approximately 1:30 p.m. All interested persons are invited to attend. There is *no* registration fee to attend this conference.

Nine comments were filed in response to the proposed Uniform System of Accounts for Centralized Service Companies, the proposed records retention requirements for holding companies and service companies, and the revised FERC Form No. 60.<sup>1</sup> These comments raise a number of issues. We request that the panel members address the following issues raised by commentors:

1. Is a separate Uniform System of Accounts necessary for service companies?
2. Are the proposed accounting and reports too burdensome to comply with? What parts cause the most burden?
3. Should a structured reporting format be required for service companies?
4. If a separate Uniform System of Accounts and structured reports are adopted, what are the most significant modifications to what was proposed in the NOPR that should be considered?
5. What should the effective date be for the new requirements?

Transcripts of the meeting will be available immediately for a fee from Ace Reporting Company ((202) 347-3700 or 1-(800) 336-6646). They will be available for free on the Commission's eLibrary system and on the events calendar about two weeks after the conference. There will be open microphones for conference attendees to present their questions to the panelists and Commission staff.

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Attached is the agenda, including the panelists who will speak at the conference.

Questions about the conference should be directed to: Julia A. Lake, Office of the General Counsel, Federal Energy Regulatory Commission, 888

First Street, NE., Washington, DC 20426. (202) 502-8370. [Julia.lake@ferc.gov](mailto:Julia.lake@ferc.gov).

**Magalie R. Salas,**  
*Secretary.*

**Agenda for Financial Accounting, Reporting and Records Retention Requirements Under PUHCA 2005 Technical Conference—July 18, 2006**

9–9:10 a.m. Introductory Remarks by Susan Court, Director, Office of Enforcement (OE).

9:10–9:20 a.m. Overview by Janice Garrison Nicholas, Director, Division of Financial Regulation, Office of Enforcement.

9:15–11 a.m. Association and Industry Panel.

**Panelists:**

- Henri Bartholomot—Director, Regulatory Legal Issues, Edison Electric Institute.
- David Stringfellow—Director of Accounting, Edison Electric Institute.
- Kathleen McNulty-Kropp—Manager, Regulatory Accounting Policy and Reporting, Xcel Energy Inc. for Edison Electric Institute—William Richert—Assistant Controller, National Grid USA.
- Sandra Bennett—Assistant Controller, American Electric Power, Inc.
- Beverly M. Holmes—Director of Accounting, Southern Company Services, Inc.

11–11:15 a.m. Break.

11:15 a.m.–1 p.m. State Commissions and Other Interest Groups Panel.

**Panelists:**

- Thomas J. Ferris—Audit Manager—Consultant, Gas and Energy Division, Public Service Commission of Wisconsin.
- Joseph Buckley—Utility Specialist, Public Utilities Commission of Ohio.
- James Mitchell—Supervisor, Utility, Accounting and Finance, New York State Public Service Commission.
- Steven Ruppel—Contract Compliance Audit Manager, Florida Municipal Power Agency.

1–1:15 p.m. Wrap up Questions and Answers.

1:15–1:30 p.m. Concluding Remarks.

[FR Doc. E6-11001 Filed 7-12-06; 8:45 am]

**BILLING CODE 6717-01-P**

**DEPARTMENT OF THE TREASURY**

**Internal Revenue Service**

**26 CFR Part 1**

[REG-118897-06]

**RIN 1545-BF67**

**United States Dollar Approximate Separate Transactions Method**

**AGENCY:** Internal Revenue Service (IRS), Treasury.

**ACTION:** Notice of proposed rulemaking.

**SUMMARY:** This document contains a proposed regulation which provides the translation rates that must be used when translating into dollars certain items and amounts transferred by a qualified business unit (QBU) to its home office or parent corporation for purposes of computing dollar approximate separate transactions method (DASTM) gain or loss.

**DATES:** Written or electronic comments and requests for a public hearing must be received by October 11, 2006.

**ADDRESSES:** Send submissions to: CC:PA:LPD:PR (REG-118897-06), room 5203, Internal Revenue Service, PO Box 7604, Ben Franklin Station, Washington, DC 20044. Submissions may be hand-delivered Monday through Friday between the hours of 8 a.m. and 4 p.m. to CC:PA:LPD:PR (REG-118897-06), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue, NW., Washington, DC, or sent electronically, via the IRS Internet site at <http://www.irs.gov/regs> or via the Federal eRulemaking Portal at <http://www.regulations.gov> (IRS REG-118897-06).

**FOR FURTHER INFORMATION CONTACT:** Concerning the proposed regulations, Sheila Ramaswamy, at (202) 622-3870; concerning submissions of comments, Richard Hurst@[irs.counsel.treas.gov](mailto:irs.counsel.treas.gov), (202) 622-7180 (not toll-free numbers).

**SUPPLEMENTARY INFORMATION:**

**Background**

Generally, a taxpayer and each of its qualified business units (QBUs) must make all determinations under subtitle A of the Internal Revenue Code in its respective functional currency. See § 1.985-1(a)(1). For taxable years beginning after August 24, 1994, a U.S. corporation's QBU that would otherwise be required to use a hyperinflationary currency as its functional currency generally must use the dollar as its functional currency and must compute income or loss under the DASTM method of accounting described in

<sup>1</sup> *Financial Accounting, Reporting and Records Retention Requirements under the Public Utility Holding Company Act of 2005, Notice of Proposed Rulemaking*, 71 FR 28464 (May 16, 2006), FERC Statutes and Regulations ¶ 32,600 (2006).

§ 1.985–3. See § 1.985–1(b)(2)(ii). Section 1.985–3(d)(3) contains a rule for translating into dollars dividends, certain transfers, and returns of capital from the QBU to its home office or parent corporation. On March 8, 2005, Notice 2005–27, 2005–13 IRB 795, (see § 601.601(d)(2) of this chapter), announced the intention to amend § 1.985–3(d)(3) regarding the proper exchange rate for determining DASTM gain or loss when translating certain current and historical assets upon a transfer from a QBU to its home office or parent corporation, as the case may be.

### Explanation of Provisions

Under the DASTM method of accounting, a QBU's income or loss for a taxable year is computed in U.S. dollars and adjusted to account for its DASTM gain or loss. See § 1.985–3(b). A QBU's DASTM gain or loss for a taxable year is determined under § 1.985–3(d) by first computing the QBU's change in net worth from the prior year and then making specified adjustments. The QBU's change in net worth is computed by comparing the year-end balance sheets for the current and preceding taxable years. See § 1.985–3(d)(1)(i). Special rules provide that some balance-sheet items are translated at the exchange rate for the translation period in which the cost of the item was incurred and so do not give rise to DASTM gain or loss from year to year ("historical items"). See § 1.985–3(d)(5). Other items are translated at the exchange rate for the last translation period for the taxable year and therefore do give rise to DASTM gain or loss ("current items"). See § 1.985–3(d)(5).

The classification of an item as historical or current generally reflects the extent to which the item's dollar value changes with fluctuations in exchange rates. For example, the dollar value of a financial asset, such as a unit of hyperinflationary local currency, necessarily changes with fluctuations in exchange rates. Accordingly, a financial asset generally is a current item. See § 1.985–3(d)(5)(iv). By contrast, the value of a nonfinancial asset generally does not change with fluctuations in exchange rates. Accordingly, a nonfinancial asset generally is an historical item. See § 1.985–3(d)(5)(v).

The computed change in the QBU's net worth is then adjusted to reflect transactions that increase or decrease the QBU's net worth without affecting the QBU's income or loss. For example, an asset transferred from a QBU branch to its home office decreases the QBU's net worth but does not affect the QBU's income or loss and so must be added

back to the QBU's net worth for purposes of computing DASTM gain or loss. See § 1.985–3(d)(3).

The DASTM method of accounting provides that adjustments described in the preceding paragraphs generally shall be translated into dollars at the exchange rate on the date the amount is paid. See § 1.985–3(d)(3). This rule ensures that the QBU branch properly takes into account a current item's change in value due to currency fluctuations while the item was in the QBU branch. However, applying this translation rule to historical items could potentially lead to distortions in the calculation of DASTM gain or loss. Because the value of historical items generally does not change with fluctuations in exchange rates, translating adjustments relating to historical items at the exchange rate on the date of distribution or transfer would inappropriately give rise to DASTM gain or loss.

The potentially anomalous results that may arise due to the application of the existing translation rule in § 1.985–3(d)(3) can be prevented by modifying the rule to ensure that only the assets whose dollar value changes with fluctuations in exchange rates will give rise to DASTM gain or loss upon a transfer from a QBU to its home office. Accordingly, this proposed regulation amends § 1.985–3(d)(3) in accordance with Notice 2005–27 as follows. The proposed regulation provides that if the item giving rise to the adjustment is a current asset which would be translated under § 1.985–3(d)(5) at the exchange rate for the last translation period of the taxable year if it were on the QBU's year-end balance sheet, the item will be translated at the exchange rate on the date the item is transferred. However, if the item giving rise to the adjustment is a historical asset which would be translated under § 1.985–3(d)(5) at the exchange rate for the translation period in which the cost of the item was incurred if it were on the QBU's year-end balance sheet, the item will be translated at the same historical rate.

### Proposed Effective Date

Consistent with Notice 2005–27, this regulation is proposed to be effective for any transfer, dividend, or distribution that is a return of capital that is made after March 8, 2005, and that gives rise to an adjustment under § 1.985–3(d)(3).

### Special Analyses

It has been determined that this notice of proposed rulemaking is not a significant regulatory action as defined in Executive Order 12866. Therefore, a regulatory assessment is not required. It

has also been determined that section 553(b) of the Administrative Procedure Act (5 U.S.C. chapter 5) does not apply to these regulations, and because these regulations do not impose a collection of information on small entities, the provisions of the Regulatory Flexibility Act (5 U.S.C. chapter 6) do not apply. Pursuant to section 7805(f) of the Internal Revenue Code, this notice of proposed rulemaking will be submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on its impact on small business.

### Comments and Requests for Public Hearing

Before these proposed regulations are adopted as final regulations, consideration will be given to any written (a signed original and eight (8) copies) or electronic comments that are submitted timely to the IRS. The IRS and Treasury Department request comments on the clarity of the proposed rules and how they can be made easier to understand. All comments will be available for public inspection and copying. A public hearing will be scheduled if requested in writing by any person that timely submits written comments. If a public hearing is scheduled, notice of the date, time, and place for a public hearing will be published in the **Federal Register**.

### Drafting Information

The principal author of these proposed regulations is Sheila Ramaswamy, Office of Associate Chief Counsel (International). However, other personnel from the IRS and Treasury Department participated in their development.

### List of Subjects in 26 CFR Part 1

Income taxes, Reporting and recordkeeping requirements.

### Proposed Amendment to the Regulations

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

### PART 1—INCOME TAXES

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

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

**Par. 2.** Section 1.985–3 is amended by revising paragraph (d)(3) to read as follows:

**§ 1.985–3 United States dollar approximate separate transactions method.**

\* \* \* \* \*  
(d) \* \* \*

(3) *Positive adjustments*—(i) *In general.* The items described in this paragraph (d)(3) are dividend distributions for the taxable year and any items that decrease net worth for the taxable year but that generally do not affect income or loss or earnings and profits (or a deficit in earnings and profits). Such items include a transfer to the home office of a QBU branch and a return of capital.

(ii) *Translation.* Except as provided by ruling or administrative pronouncement, items described in paragraph (d)(3)(i) of this section shall be translated into dollars as follows:

(A) If the item giving rise to the adjustment would be translated under paragraph (d)(5) of this section at the exchange rate for the last translation period of the taxable year if it were shown on the QBU's year-end balance sheet, such item shall be translated at the exchange rate on the date the item is transferred.

(B) If the item giving rise to the adjustment would be translated under paragraph (d)(5) of this section at the exchange rate for the translation period in which the cost of the item was incurred if it were shown on the QBU's year-end balance sheet, such item shall be translated at the same historical rate.

(iii) *Effective date.* Paragraph (d)(3)(ii) of this section is applicable for any transfer, dividend, or distribution that is a return of capital that is made after March 8, 2005, and that gives rise to an adjustment under this paragraph (d)(3).

\* \* \* \* \*

**Mark E. Matthews,**

*Deputy Commissioner for Services and Enforcement.*

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## DEPARTMENT OF THE TREASURY

### 31 CFR Part 103

RIN 1506-AA81

#### **Financial Crimes Enforcement Network; Withdrawal of the Finding of Primary Money Laundering Concern and the Notice of Proposed Rulemaking Against Multibanka**

**AGENCY:** Financial Crimes Enforcement Network, Department of the Treasury.

**ACTION:** Withdrawal of the notice of proposed rulemaking.

**SUMMARY:** This document withdraws our April 26, 2005 finding that joint stock company Multibanka ("Multibanka" or the "bank") is a financial institution of primary money laundering concern and

our notice of proposed rulemaking recommending the imposition of a special measure, pursuant to the authority contained in 31 U.S.C. 5318A of the Bank Secrecy Act.

**DATES:** The notice of proposed rulemaking is withdrawn as of July 13, 2006.

**FOR FURTHER INFORMATION CONTACT:** Regulatory Policy and Programs Division, Financial Crimes Enforcement Network, (800) 949-2732.

#### **SUPPLEMENTARY INFORMATION:**

##### **I. Background**

###### *A. Statutory Provisions*

On October 26, 2001, the President signed into law the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Public Law 107-56 ("USA PATRIOT Act"). Title III of the USA PATRIOT Act amends the anti-money laundering provisions of the Bank Secrecy Act, codified at 12 U.S.C. 1829b, 12 U.S.C. 1951-1959, and 31 U.S.C. 5311-5314 and 5316-5332, to promote the prevention, detection, and prosecution of money laundering and the financing of terrorism. Regulations implementing the Bank Secrecy Act appear at 31 CFR part 103. The authority of the Secretary of the Treasury (the "Secretary") to administer the Bank Secrecy Act and its implementing regulations has been delegated to the Director of the Financial Crimes Enforcement Network (the "Director").<sup>1</sup> The Bank Secrecy Act authorizes the Director to issue regulations requiring all financial institutions defined as such in the Bank Secrecy Act to maintain or file certain reports or records that have been determined to have a high degree of usefulness in criminal, tax, or regulatory investigations or proceedings, or in the conduct of intelligence or counter-intelligence activities, including analysis, to protect against international terrorism, and to implement anti-money laundering programs and compliance procedures.<sup>2</sup>

Section 311 of the USA PATRIOT Act added section 5318A to the Bank Secrecy Act, granting the Secretary the authority, after finding that reasonable grounds exist for concluding that a foreign jurisdiction, foreign financial

institution, class of international transactions, or type of account is of "primary money laundering concern," to require domestic financial institutions and domestic financial agencies to take certain "special measures" against the primary money laundering concern. Section 311 identifies factors for the Secretary to consider and Federal agencies to consult before he may find that reasonable grounds exist for concluding that a jurisdiction, financial institution, class of transactions, or type of account is of primary money laundering concern. The statute also provides similar procedures, including factors and consultation requirements, for selecting the specific special measures to be imposed against the primary money laundering concern.

Taken as a whole, section 311 provides the Secretary with a range of options that can be adapted to target specific money laundering and terrorist financing concerns most effectively. These options provide the authority to bring additional and useful pressure on those jurisdictions and institutions that pose money laundering threats and the ability to take steps to protect the U.S. financial system. Through the imposition of various special measures, we can: Gain more information about the concerned jurisdictions, financial institutions, transactions, and accounts; monitor more effectively the respective jurisdictions, financial institutions, transactions, and accounts; and ultimately protect U.S. financial institutions from involvement with jurisdictions, financial institutions, transactions, or accounts that pose a money laundering concern.

Before making a finding that reasonable grounds exist for concluding that a foreign financial institution is of primary money laundering concern, the Secretary is required by the Bank Secrecy Act to consult with both the Secretary of State and the Attorney General.

In addition to these consultations, when finding that a foreign financial institution is of primary money laundering concern, the Secretary is required by section 311 to consider "such information as the Secretary determines to be relevant, including the following potentially relevant factors:"

- The extent to which such financial institution is used to facilitate or promote money laundering in or through the jurisdiction;
- The extent to which such financial institution is used for legitimate business purposes in the jurisdiction; and
- The extent to which such action is sufficient to ensure, with respect to

<sup>1</sup> Therefore, references to the authority of the Secretary of the Treasury under section 311 of the USA PATRIOT Act apply equally to the Director of the Financial Crimes Enforcement Network.

<sup>2</sup> Language expanding the scope of the Bank Secrecy Act to intelligence or counter-intelligence activities to protect against international terrorism was added by section 358 of the USA PATRIOT Act.