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(d) This amendment becomes effective on April 19, 2004.

Note: The subject of this AD is addressed in Direction Generale De L'Aviation Civile (France) AD 2002-622(A), dated December 11, 2002.

Issued in Fort Worth, Texas, on March 3, 2004.

Scott A. Horn,

Acting Manager, Rotorcraft Directorate, Aircraft Certification Service.

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SECURITIES AND EXCHANGE COMMISSION

17 CFR Part 211

[Release No. SAB 105]

Staff Accounting Bulletin No. 105

AGENCY: Securities and Exchange Commission.

ACTION: Publication of staff accounting bulletin.

SUMMARY: This staff accounting bulletin summarizes the views of the staff regarding the application of generally accepted accounting principles to loan commitments accounted for as derivative instruments.

DATES: Effective March 9, 2004.

FOR FURTHER INFORMATION CONTACT: John James, Greg Cross or Eric Schuppenhauer, Office of the Chief Accountant (202) 942-4400, or Louise Dorsey, Division of Corporation Finance (202) 942-2960, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549.

SUPPLEMENTARY INFORMATION: The statements in staff accounting bulletins are not rules or interpretations of the Commission, nor are they published as bearing the Commission's official approval. They represent interpretations and practices followed by the Division of Corporation Finance and the Office of the Chief Accountant in administering the disclosure requirements of the Federal securities laws.

Dated: March 9, 2004.

Jill M. Peterson,

Assistant Secretary.

PART 211—[AMENDED]

■ Accordingly, part 211 of title 17 of the Code of Federal Regulations is amended by adding Staff Accounting Bulletin No. 105 to the table found in subpart B.

Staff Accounting Bulletin No. 105

Note: The text of SAB 105 will not appear in the Code of Federal Regulations.

The staff hereby adds Section DD to Topic 5 of the Staff Accounting Bulletin Series. Topic 5:DD provides guidance regarding loan commitments accounted for as derivative instruments.

Topic 5: Miscellaneous Accounting

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DD. Loan Commitments Accounted for as Derivative Instruments

Facts: Bank A enters into a loan commitment with a customer to extend a mortgage loan at a specified rate. Bank A intends to sell the mortgage loan after it is funded. Under Statement No. 133, such a loan commitment should be accounted for as a derivative instrument and measured at fair value.¹ Bank A expects to receive future cash flows related to servicing rights from servicing fees (included in the loan's interest rate or otherwise), late charges, and other ancillary sources, or from selling the servicing rights into the market.

Question 1: In recognizing the loan commitment, may Bank A consider the expected future cash flows related to the associated servicing of the loan?

Interpretive Response: No. The staff believes that incorporating expected future cash flows related to the associated servicing of the loan essentially results in the immediate recognition of a servicing asset. However, servicing assets are to be recognized only once the servicing asset has been contractually separated from the underlying loan by sale or securitization of the loan with servicing retained.²

Further, no other internally-developed intangible assets (such as customer relationship intangible assets) should be recorded as part of the loan commitment derivative. Recognition of such assets would

¹ Paragraph 3 of FASB Statement No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities*, amended paragraph 6(c) of Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, to add: "* * * * * loan commitments that relate to the origination of mortgage loans that will be held for sale, as discussed in paragraph 21 of FASB Statement No. 65, *Accounting for Mortgage Banking Activities* (as amended), shall be accounted for as derivative instruments by the issuer of the loan commitment (that is, the potential lender)." Similar guidance is provided in Statement 133 Implementation Issue No. C13, *Scope Exceptions: When a Loan Commitment Is Included in the Scope of Statement 133*.

² See paragraph 61 of FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*.

only be appropriate in a third-party transaction (for example, the purchase of a loan commitment either individually, in a portfolio, or in a business combination).

Question 2: What disclosures should Bank A provide with respect to loan commitments accounted for as derivative instruments?

Interpretive Response: Bank A should disclose its accounting policy for loan commitments pursuant to APB Opinion No. 22, *Disclosure of Accounting Policies*. Bank A should provide disclosures related to loan commitments accounted for as derivatives, including methods and assumptions used to estimate fair value and any associated hedging strategies, as required by Statement No. 107,³ Statement No. 133 and Item 305 of Regulation S-K. Additionally, Bank A should provide disclosures required by Item 303 of Regulation S-K and any related interpretive guidance.

Question 3: Will the staff expect retroactive changes by registrants to comply with the accounting described in this bulletin?

Interpretive Response: The staff will not object if registrants that have not been applying the accounting described in this bulletin continue to use their existing accounting policies for loan commitments accounted for as derivatives entered into on or before March 31, 2004. For loan commitments accounted for as derivatives and entered into subsequent to that date, the staff expects all registrants to apply the accounting described in this bulletin. Financial statements filed with the Commission before applying the guidance in this bulletin should include disclosures similar to those described in SAB Topic 11:M.

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DEPARTMENT OF HEALTH AND HUMAN SERVICES

Food and Drug Administration

21 CFR Part 558

New Animal Drugs; Ractopamine

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 two new animal drug applications (NADAs) filed by Elanco Animal Health. One NADA provides for use of ractopamine and monensin Type A medicated articles to make dry and liquid two-way combination Type B and Type C medicated feeds for cattle fed in confinement for slaughter. The other NADA provides for use of ractopamine, monensin, and tylosin Type A

³ FASB Statement No. 107, *Disclosures about Fair Value of Financial Instruments*.