

certain trust information in Schedule T annually as of December 31.¹ This information includes the number of accounts and the market value of trust assets for eight categories of fiduciary activities. These institutions would also report data on corporate trust activities, collective investment funds and common trust funds, and types of managed assets held in personal trust and agency accounts.

In creating proposed Schedule T, modifications have been made to some of the existing items currently reported on the FFIEC 001 to improve their value and usefulness. However, the total number of separately reportable data items in the proposed Fiduciary Schedule represents a decrease of more than 60 percent in the number of reportable items in the FFIEC 001. Thus, the agencies believe this proposal would not produce an increase in reporting burden for trust institutions.

The agencies are proposing to add the new Fiduciary Schedule to the FFIEC 002 instead of retaining separate trust reports in order to facilitate the timely collection and processing of the information. Institutions filing the current annual trust reports generally must submit their reports within 45 days after year-end. Electronically submitted annual trust reports, first allowed for year-end 1998 reporting, have a 75-day filing deadline. By moving the reporting of fiduciary information into the FFIEC 002, the submission deadline for the FFIEC 002 would apply to this reporting requirement. The length of time that trust institutions would have for completing the Fiduciary Schedule would be reduced from 45 days to 30 days for most institutions and from 75 days to 30 days for institutions that file electronically. The proposed implementation of this Fiduciary Schedule and the modification of the submission deadline for this reporting requirement is consistent with the reporting treatment currently proposed for insured commercial banks and FDIC-supervised savings banks.

C. Other Issue for Which Public Comment Is Requested

Eliminating Confidential Treatment for Certain Past Due and Nonaccrual Data

An important public policy issue for the agencies has been how to use market discipline to complement supervisory resources. Market discipline relies on market participants having information

about the risks and financial condition of banking organizations. Disclosure that increases transparency should lead to more accurate market assessments of risk and value. This, in turn, should result in more effective market discipline on banking organizations.

Despite this emphasis on market discipline, the FFIEC and the agencies currently accord confidential treatment to the information branches and agencies report in Schedule N of the FFIEC 002 report on the amounts of their loans, leases, and other assets that are past due, in nonaccrual status, or restructured and in compliance with modified terms. In order to give the public, including branches and agencies, more complete information on the level of and trends in asset quality at individual institutions, the agencies are proposing to eliminate the confidential treatment currently provided for this information beginning with the amounts reported as of June 30, 2001.

Some financial institutions have held that information on loans, leases, and other assets that are past due 30 through 89 days is not a reliable indicator of future loan losses or of general asset quality. They further note that market discipline would be reduced, rather than enhanced, by the release of information that is highly susceptible to misinterpretation to the extent that it could cause an unjustifiable loss of funding to the industry. However, banking supervisors have consistently found information on loans and leases past due 30 through 89 days to be helpful in identifying financial institutions with emerging asset quality problems. Therefore, the agencies believe that such information is a useful indicator of general asset quality and would not represent misleading information to the public.

Currently the agencies publicly disclose information reported by insured commercial banks, FDIC-supervised savings banks, and bank holding companies on loans and leases that are past due 90 days or more and still accruing, in nonaccrual status, or restructured and in compliance with modified terms. The agencies have proposed to publicly disclose reported information on loans and leases that are past due 30 through 89 days and still accruing for these institutions effective as of March 31, 2001. Disclosing the information reported on Schedule N of the FFIEC 002 would also provide for a consistent reporting treatment with other U.S. banking institutions.

Request for Comment

Comments submitted in response to this Notice will be shared among the agencies and will be summarized or included in the Board's request for OMB approval. All comments will become a matter of public record. Written comments should address the accuracy of the burden estimates and ways to minimize burden as well as other relevant aspects of the information collection requests. Comments are invited on:

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

(b) The accuracy of the agencies' estimate of the burden of the information collection, including the validity of the methodology and assumptions used;

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

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

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

Board of Governors of the Federal Reserve System, December 22, 2000.

Jennifer J. Johnson,
Secretary of the Board.

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FEDERAL RESERVE SYSTEM

Formations of, Acquisitions by, and Mergers of Bank Holding Companies

The companies listed in this notice have applied to the Board for approval, pursuant to the Bank Holding Company Act of 1956 (12 U.S.C. 1841 et seq.) (BHC Act), Regulation Y (12 CFR Part 225), and all other applicable statutes and regulations to become a bank holding company and/or to acquire the assets or the ownership of, control of, or the power to vote shares of a bank or bank holding company and all of the banks and nonbanking companies owned by the bank holding company, including the companies listed below.

The applications listed below, as well as other related filings required by the Board, are available for immediate inspection at the Federal Reserve Bank indicated. The application also will be

¹ This FFIEC 002 proposal does not address the trust reporting requirements that would be applicable to entities other than U.S. branches and agencies of foreign banks.

available for inspection at the offices of the Board of Governors. Interested persons may express their views in writing on the standards enumerated in the BHC Act (12 U.S.C. 1842(c)). If the proposal also involves the acquisition of a nonbanking company, the review also includes whether the acquisition of the nonbanking company complies with the standards in section 4 of the BHC Act (12 U.S.C. 1843). Unless otherwise noted, nonbanking activities will be conducted throughout the United States. Additional information on all bank holding companies may be obtained from the National Information Center website at www.ffiec.gov/nic/.

Unless otherwise noted, comments regarding each of these applications must be received at the Reserve Bank indicated or the offices of the Board of Governors not later than January 22, 2000.

A. Federal Reserve Bank of Richmond (A. Linwood Gill, III, Vice President) 701 East Byrd Street, Richmond, Virginia 23261-4528:

1. *Century Bancshares, Inc.*, Washington, D.C.; to merge with GrandBanc, Inc., Rockville, Maryland, and thereby indirectly acquire GrandBank, Rockville, Maryland.

B. Federal Reserve Bank of Chicago (Phillip Jackson, Applications Officer) 230 South LaSalle Street, Chicago, Illinois 60690-1414:

1. *First BancTrust Corporation*, Paris, Illinois; to become a bank holding company by acquiring 100 percent of the voting shares of First Bank & Trust, S.B., Paris, Illinois (upon the bank's conversion to stock form).

Board of Governors of the Federal Reserve System, December 22, 2000.

Jennifer J. Johnson

Secretary of the Board.

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FEDERAL RESERVE SYSTEM

[Docket No. R-1095]

Federal Reserve Bank Services; Private Sector Adjustment Factor

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Notice with request for comments.

SUMMARY: The Board requests comment on a proposal to modify the method for calculating the private sector adjustment factor (PSAF). The PSAF imputes the costs that would have been incurred and profits that would have been earned had the Federal Reserve Banks' priced

services been provided by a private firm. The Monetary Control Act of 1980 (MCA) requires that the Federal Reserve set fees for its services to recover, over the long term, its actual costs of providing the services, as well as these imputed costs and profits. The Board reviews its method for calculating the PSAF periodically to assess whether it is still appropriate in light of the changing environment.

Specifically, the Board requests comment on a proposal to modify the current method for imputing debt and equity, to enhance the method for determining the target rate of return on equity, and to continue using the fifty largest bank holding companies' financial data as a proxy for Federal Reserve priced-services activities. If adopted, the changes would be effective for the 2002 PSAF and fees for Federal Reserve priced services.

DATES: Comments must be submitted on or before April 6, 2001.

ADDRESSES: Comments, which should refer to Docket No. R-1095, may be mailed to Ms. Jennifer J. Johnson, Secretary, Board of Governors of the Federal Reserve System, 20th and C Streets, NW, Washington, DC 20551 or mailed electronically to regs.comments@federalreserve.gov. Comments addressed to Ms. Johnson also may be delivered to the Board's mail room between 8:45 a.m. and 5:15 p.m. and to the security control room outside of those hours. Both the mail room and the security control room are accessible from the courtyard entrance on 20th Street between Constitution Avenue and C Street, NW. Comments may be inspected in Room MP-500 between 9 a.m. and 5 p.m. weekdays, pursuant to § 261.12, except as provided in § 261.14 of the Board's Rules Regarding Availability of Information, 12 CFR 261.12 and 261.14.

FOR FURTHER INFORMATION CONTACT:

Gregory L. Evans, Manager (202/452-3945); Brenda Richards, Sr. Financial Analyst (202/452-2753); or Rebecca Kenyon, Financial Analyst (202/452-2974), Division of Reserve Bank Operations and Payment Systems. For users of Telecommunication Device for the Deaf (TDD) only, please contact Janice Simms, (202/872-4984). Copies of a research paper describing the theoretical basis and detailed application of each of the proposed models ("The Federal Reserve Banks' Imputed Cost of Equity Capital") may be obtained from the Board through the Freedom of Information Office (202/452-3684) or at the Board's web site at www.federalreserve.gov by accessing the press release for this proposal.

SUPPLEMENTARY INFORMATION:

I. Background

The MCA requires Federal Reserve Banks to establish fees for "priced services" provided to depository institutions at a level necessary to recover all direct and indirect costs actually incurred and imputed costs. Imputed costs include financing costs, return on capital (also referred to as profit), taxes, and certain other expenses that would be incurred if a private business firm provided the services. In establishing fees, the Board considers the objectives of fostering competition, improving the efficiency of the payments mechanism, and providing an adequate level of services nationwide. The imputed costs and imputed profit are collectively referred to as the private sector adjustment factor (PSAF).

The methodology underlying the PSAF is reviewed periodically to ensure that it is still appropriate in light of changes that may have occurred in Reserve Bank priced-service activities, accounting standards, finance theory and regulatory practices, and banking activity.

A. Private Sector Adjustment Factor

The current method for calculating the PSAF involves determining the value of Federal Reserve assets to be used in providing priced services during the coming year, the financing mix used to fund them, and the rates used to impute financing costs. Assets are determined using Reserve Bank information on actual assets and projected disposals and acquisitions. The priced-services portion of mixed-use assets is determined based on the allocation of related depreciation expense. Historically, short-term assets are assumed to be financed with short-term liabilities and long-term assets are assumed to be financed with a combination of long-term debt and equity. The financing rates and the combination of financing types are based on data developed from the "bank holding company (BHC) model," a model that contains consolidated financial data for the nation's fifty largest (asset size) BHCs.

Imputed taxes are captured using a pre-tax return on equity (ROE). The use of the pre-tax ROE assumes that a 100 percent recovery of expenses, including the targeted ROE, will be achieved. Should the pre-tax earnings be more or less than the targeted ROE, the PSAF is adjusted ("variable PSAF") for the tax expense or savings associated with the adjusted recovery. The variable PSAF tax rate is the median of the rates paid by the BHCs over the past five years.