

Dated at Rockville, Maryland this 13th day of July 1998.

For the Nuclear Regulatory Commission.

**John C. Hoyle,**

*Secretary of the Commission.*

[FR Doc. 98-19086 Filed 7-16-98; 8:45 am]

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## FEDERAL DEPOSIT INSURANCE CORPORATION

### 12 CFR Part 330

RIN 3064-AC16

### Deposit Insurance Regulations; Joint Accounts and "Payable-on-Death" Accounts

**AGENCY:** Federal Deposit Insurance Corporation (FDIC).

**ACTION:** Notice of proposed rulemaking.

**SUMMARY:** The FDIC is proposing to amend its regulations governing the insurance coverage of joint ownership accounts and revocable trust (or payable-on-death) accounts. These proposed amendments to the insurance regulations would supplement the revisions adopted by the FDIC in a final rule published in May 1998. The purpose of these amendments is to increase further the public's understanding of the insurance regulations through simplification. The proposed rule would make two amendments to the regulations. First, it would eliminate step one of the two-step process for determining the insurance coverage of joint accounts. Second, it would change the insurance coverage of "payable-on-death" accounts by adding parents and siblings to the current list of "qualifying beneficiaries."

**DATES:** Written comments must be received on or before October 15, 1998.

**ADDRESSES:** Written comments should be addressed to the Office of the Executive Secretary, Federal Deposit Insurance Corporation, 550 17th Street, N.W., Washington, D.C. 20429. Comments may be hand-delivered to the guard station at the rear of the 17th Street Building (located on F Street) on business days between 7:00 a.m. and 5:00 p.m. Also, comments may be sent by FAX ((202) 898-3838) or e-mail (comments@FDIC.gov). Comments will be available for inspection in the FDIC Public Information Center, Room 100, 801 17th Street, N.W., Washington, D.C., on business days between 9:00 a.m. and 5:00 p.m.

**FOR FURTHER INFORMATION CONTACT:** Christopher L. Hencke, Counsel, (202) 898-8839, or Joseph A. DiNuzzo, Senior

Counsel, (202) 898-7349, Legal Division, Federal Deposit Insurance Corporation, 550 17th Street, N.W., Washington, D.C. 20429.

#### SUPPLEMENTARY INFORMATION:

#### I. Simplifying the Insurance Regulations

Federal deposit insurance plays a critical role in assuring stability and public confidence in the nation's financial system. At the same time, deposit insurance may reduce the incentive for depositors to monitor and discipline banks for excessive risk-taking. At present, the only depositors who will impose a degree of market discipline are those with deposits over the \$100,000 insurance limit.

All depositors should understand the rules governing the application of the \$100,000 limit. Confusion regarding these rules could lead to a loss of funds by some depositors and an erosion in public confidence. In addition, depositors over the \$100,000 limit will impose no market discipline if they do not realize that their deposits are partly uninsured. For these reasons, the deposit insurance rules should be as simple as possible.

Unfortunately, recent evidence indicates that some of the insurance rules are misunderstood by a large percentage of the employees of depository institutions. This evidence includes surveys conducted in three states by public interest research groups (PIRGs). These surveys involved the FDIC's rules governing the insurance coverage of joint accounts and "payable-on-death" (POD) accounts. Of the bank employees included in the PIRG surveys, 63% to 80% misunderstood the joint account rules and 59% to 83% misunderstood the POD rules. (Copies of the PIRG survey results may be obtained by contacting the FDIC.)

Two years ago, in May 1996, the FDIC sought comments on amending the rules governing joint and POD accounts in an advance notice of proposed rulemaking (ANPR). See 61 FR 25596 (May 22, 1996). In May 1997, the FDIC published a proposed rule. See 62 FR 26435 (May 14, 1997). The amendments involving joint and POD accounts were not included in the proposed rule because the FDIC, at that time, did not possess sufficient information regarding the amendments' potential costs.

In May 1998, the proposed rule became a final rule. See 63 FR 25750 (May 11, 1998). Through this final rule, the FDIC made a number of important changes that will make the insurance regulations more understandable to the public. (A detailed explanation of these changes is set forth in the preamble of

the **Federal Register** final rule.) In the preamble, the FDIC also stated that it would continue to study the policy, economic and other implications of amending the rules governing joint and POD accounts. The staff's study of those issues has resulted in the proposed rule published today.

#### II. The Proposed Rule

The proposed rule would amend two sections of the deposit insurance regulations: the new § 330.9 (former § 330.7), governing the insurance of joint ownership accounts; and the new § 330.10 (former § 330.8), governing the insurance of revocable trust (or POD) accounts.<sup>1</sup>

##### A. Joint Accounts

Under the current rules, qualifying joint accounts are insured separately from any single ownership accounts maintained by the co-owners at the same insured depository institution. See 12 CFR 330.9(a) (former 330.7(a)). A joint account is a "qualifying" joint account if it satisfies certain requirements: (1) the co-owners must be natural persons; (2) each co-owner must personally sign a deposit account signature card; and (3) the withdrawal rights of the co-owners must be equal. See 12 CFR 330.9(c)(1) (former 330.7(c)(1)). The requirement involving signature cards is inapplicable if the account at issue is a certificate of deposit, a deposit obligation evidenced by a negotiable instrument, or an account maintained for the co-owners by an agent or custodian. See 12 CFR 330.9(c)(2) (former 330.7(c)(2)).

Assuming these requirements are satisfied, the current rules provide that the \$100,000 insurance limit shall be applied in a two-step process. First, all joint accounts owned by the same insured depository institution are added together and insured to a limit of \$100,000. Second, the interests of each person in all joint accounts, whether owned by the same or some other combination of persons, are added together and insured to a limit of \$100,000. See 12 CFR 330.9(b) (former 330.7(b)). The effects of this two-step process are: (1) no joint account can be insured for more than \$100,000; (2) no group of joint accounts owned by the same combination of persons can be insured for more than \$100,000; and (3) no person's combined interest in all joint accounts can be insured for more than \$100,000.

<sup>1</sup> "New" sections refer to the section numbers resulting from the recent final rule. The "new" sections became effective on July 1, 1998.

The two-step process for insuring joint accounts often is misunderstood by bankers (as indicated by the PIRG studies) as well as consumers. This widespread confusion has resulted in the loss by some depositors of significant sums of money. For example, at one failed depository institution, three joint accounts (and no other types of accounts) were maintained by three siblings. The interest of each sibling was less than \$100,000. The siblings chose to place all of their funds in joint accounts so that each of them would have access to the money in the event of an emergency or sudden illness. When the institution failed, step one of the two-step process required the aggregation of the three joint accounts. The amount in excess of \$100,000 was uninsured.

In this example, all of the funds owned by the siblings could have been insured if the funds had been held in individual accounts as opposed to joint accounts. Thus, the depositors did not suffer a loss because they placed too much money in a single depository institution that failed. Rather, they suffered a loss simply because they misunderstood the FDIC's regulations.

Another example is provided by *Sekula v. FDIC*, 39 F.3d 448 (3d Cir. 1994). That court case involved six joint accounts owned by a husband and wife. The combined balance of these accounts was almost \$170,000. Of this amount, only \$100,000 was found to be insured. The court rejected the argument made by the depositors that they were entitled to insurance up to \$200,000 (i.e., \$100,000 for each owner). The court stated, however, that the two-step process for insuring joint accounts is unclear.

In order to simplify the coverage of joint accounts, the FDIC is proposing to eliminate the first step of the two-step process. Under this proposed amendment, the maximum coverage that any one person could obtain for his/her interests in all qualifying joint accounts would remain \$100,000. The maximum insurance coverage of a particular joint account, however, would no longer be \$100,000. In the case of a joint account owned by two persons, for example, the maximum coverage would increase from \$100,000 to \$200,000 (i.e., \$100,000 for each owner).

The effects of the proposed amendment are subject to debate. For some depositors, such as the three siblings in the example, the amendment would result in an expansion of coverage. On the other hand, many or most such depositors could obtain the same level of coverage without the

proposed amendment if they understood the regulations. The potential cost to the FDIC of the proposed amendment is discussed in greater detail below.

#### B. POD Accounts

Under the current rules, qualifying revocable trust (or POD) accounts are insured separately from any other types of accounts maintained by either the owner or the beneficiaries at the same insured depository institution. See 12 CFR 330.10(a) (former 330.8(a)). A POD account is a "qualifying" POD account if it satisfies certain requirements: (1) the beneficiaries must be the spouse, children or grandchildren of the owner; (2) the beneficiaries must be specifically named in the deposit account records; (3) the title of the account must include a term such as "in trust for" or "payable-on-death to" (or any acronym therefor); and (4) the intention of the owner of the account (as evidenced by the account title or any accompanying revocable trust agreement) must be that the funds shall belong to the named beneficiaries upon the owner's death. If the account has been opened pursuant to a formal "living trust" agreement, the fourth requirement means that the agreement must not place any conditions upon the interests of the beneficiaries that might prevent the beneficiaries (or their estates or heirs) from receiving the funds following the death of the owner. Such conditions are known as "defeating contingencies."

Assuming these requirements are satisfied, the \$100,000 insurance limit is not applied on a "per owner" basis. Rather, the \$100,000 insurance limit is applied on a "per beneficiary" basis to all POD accounts owned by the same person at the same insured depository institution. For example, a POD account owned by one person or a group of POD accounts owned by one person could be insured up to \$500,000 if the qualifying beneficiaries (i.e., spouse, children and grandchildren) were five in number.

If one of the named beneficiaries of a POD account is not a qualifying beneficiary (i.e., not a spouse, child or grandchild), the funds corresponding to that beneficiary are treated for insurance purposes as single ownership funds of the owner (i.e., the account holder). In other words, they are aggregated with any funds in any single ownership accounts of the owner and insured to a limit of \$100,000. See 12 CFR 330.10(b) (former 330.8(b)).

On a number of occasions, depositors have lost money upon the failure of an insured depository institution because they believed that POD accounts were insured on a simple "per beneficiary" or

"per family member" basis. They did not understand the difference between qualifying beneficiaries and non-qualifying beneficiaries. Typically, in such cases, the named beneficiary has been a parent or sibling. In the absence of a qualifying beneficiary, the POD account has been aggregated with one or more single ownership accounts.

In response to such cases, the FDIC is proposing to add siblings and parents to the list of qualifying beneficiaries. This approach would protect most depositors who misunderstand the current rules without abandoning the basic concept that insurance for POD accounts is provided up to \$100,000 on a "per qualifying beneficiary" basis. The potential cost to the deposit insurance funds is discussed below.

#### III. The Cost of the Proposed Rule

At the request of the Board of Directors, the FDIC staff recently conducted a study of the potential cost of eliminating step one of the two-step process for insuring joint accounts. The study also addressed the potential cost of adding parents and siblings to the list of "qualifying beneficiaries" for POD accounts. Copies of this study may be obtained from the FDIC.

The FDIC study was based upon depositor files from ten banks that failed during the past decade. At each of these banks, depositors suffered losses as a result of owning deposits over the \$100,000 insurance limit. The advantage of studying the accounts at such failed banks is that the accounts were subject to actual insurance determinations. Also, as a depository institution weakens, some depositors may withdraw their deposits in order to protect themselves. For this reason, in determining the cost to the FDIC of a change in the insurance regulations, an analysis of the accounts at failed banks is more useful than an analysis of accounts at healthy institutions.

The total of all deposits at the ten banks at the time of failure was \$6.7 billion, of which \$57 million (0.85%) was determined to be uninsured. The FDIC's analysis involved the files of 1,300 depositors, each of whom maintained account(s) in excess of \$100,000.

As discussed below, the FDIC's study suggests that the cost of the proposed rule would be minimal compared with the potential benefits. Depositors would benefit by not losing funds through misconceptions regarding the scope of their insurance coverage; the financial system would benefit through increased public confidence.

### A. Joint Accounts

At the ten failed banks in the FDIC's study, uninsured joint account deposits totaled \$13 million. Of this amount, \$12 million was uninsured under step one of the current two-step process. This figure represented 21.5% of all uninsured deposits but only 0.18% of total deposits. The impact of eliminating step one can be estimated by applying this 0.18% figure to failed bank data from 1988 (the costliest year in recent history).

In 1988, the FDIC assumed the obligation to pay insurance on deposits in the amount of \$38 billion. This figure does not represent the FDIC's losses for the year because the FDIC (as subrogee of the insured depositors) recovered a significant amount of money through the liquidation of the assets of the failed institutions. The losses for the year amounted to \$6.8 billion, representing a loss ratio of 18%.

Increasing \$38 billion (the deposit obligations assumed by the FDIC in 1988) by 0.18% (the increase that would result from the elimination of step one) yields additional insured funds in the amount of \$69.8 million. Applying a loss ratio of 18% to this \$69.8 million (18% being the FDIC's loss ratio in 1988) yields additional losses in the amount of \$12.6 million. In other words, in 1988, the absence of step one of the two-step process for insuring joint accounts would have resulted in estimated additional losses to the FDIC of \$12.6 million (an increase of 0.18%).

In 1993, the Federal Reserve Board found that the elimination of step one of the current joint account rules would have increased the amount of insured deposits in all FDIC-insured institutions by about \$22 billion (out of a total deposit base at that time of \$3.273 trillion). In its own study, the FDIC came to a different conclusion.

Currently, the level of domestic deposits at all FDIC-insured institutions is \$3.6 trillion. If the 0.18% figure discussed above is applied to this \$3.6 trillion, the conclusion follows that the elimination of step one would increase the amount of insured deposits by \$6.5 billion—not \$22 billion as found in the Federal Reserve study. The difference between the two studies may be attributable to the fact that the FDIC's study was limited to failed banks that produced actual losses for depositors. In any event, in measuring the impact of a change in the insurance regulations, the important question is not the increase in the amount of insured deposits (\$6.5 billion versus \$22 billion) but the increase in possible losses to the FDIC. As discussed above, in 1988 (the

costliest year in recent history), the absence of step one of the two-step process would not have resulted in additional losses amounting to billions of dollars. Rather, the additional loss suffered by the FDIC would have amounted to approximately \$12.6 million.

### B. POD Accounts

At the ten bank sample, the total deposit base was \$6.7 billion. Of this amount, depositors with more than \$100,000 in total deposits held \$22.2 million in POD accounts for the benefit of non-qualifying beneficiaries. In accordance with the FDIC's regulations, these funds in the amount of \$22.2 million were treated as single ownership accounts. In this category, most of the funds were insured. Only \$6.3 million was uninsured.

From this type of study, it is difficult to draw firm conclusions about the consequences of changing the insurance rules applicable to POD accounts. The problem is the impossibility of predicting how depositors might alter their accounts in response to any such changes. In any event, the results of the FDIC's study indicate that POD accounts are not a significant component of a typical bank's deposit portfolio. For this reason, any change in the rules governing the insurance coverage of POD accounts should not produce a significant impact on the FDIC.

### IV. Request for Comments

The Board of Directors of the FDIC (Board) is seeking comments on the proposed amendments to the regulations governing the insurance coverage of joint accounts and POD accounts. In addition, the Board is seeking comments on any other possible means of simplifying the insurance coverage of joint or POD accounts.

### V. Paperwork Reduction Act

The proposed rule would simplify the FDIC's deposit insurance regulations. It would not involve any collections of information under the Paperwork Reduction Act (44 U.S.C. 3501 *et seq.*). Consequently, no information has been submitted to the Office of Management and Budget for review.

### VI. Regulatory Flexibility Act

The proposed rule would not have a significant impact on a substantial number of small businesses within the meaning of the Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*). The amendments to the deposit insurance rules would apply to all FDIC-insured depository institutions and would impose no new reporting, recordkeeping

or other compliance requirements upon those entities. Accordingly, the Act's requirements relating to an initial and final regulatory flexibility analysis are not applicable.

### List of Subjects in 12 CFR Part 330

Bank deposit insurance, Banks, banking, Reporting and recordkeeping requirements, Savings and loan associations, Trusts and trustees.

The Board of Directors of the Federal Deposit Insurance Corporation hereby proposes to amend part 330 of chapter III of title 12 of the Code of Federal Regulations as follows:

### PART 330—DEPOSIT INSURANCE COVERAGE

1. The authority citation for part 330 continues to read as follows:

**Authority:** 12 U.S.C. 1813(l), 1813(m), 1817(i), 1818(q), 1819(Tenth), 1820(f), 1821(a), 1822(c).

2. In § 330.9, paragraph (b) is revised to read as follows:

#### § 330.9 Joint ownership accounts.

\* \* \* \* \*

(b) *Determination of insurance coverage.* The interests of each co-owner in all qualifying joint accounts, whether owned by the same or different combinations of persons, shall be added together and the total shall be insured up to \$100,000. (Example: "A&B" have a qualifying joint account with a balance of \$60,000; "A&C" have a qualifying joint account with a balance of \$80,000; and "A&B&C" have a qualifying joint account with a balance of \$150,000. A's combined ownership interest in all qualifying joint accounts would be \$120,000 (\$30,000 plus \$40,000 plus \$50,000); therefore, A's interest would be insured in the amount of \$100,000 and uninsured in the amount of \$20,000. B's combined ownership interest in all qualifying joint accounts would be \$80,000 (\$30,000 plus \$50,000); therefore, B's interest would be fully insured. C's combined ownership interest in all qualifying joint accounts would be \$90,000 (\$40,000 plus \$50,000); therefore, C's interest would be fully insured.)

\* \* \* \* \*

3. In § 330.10, paragraph (a) is revised to read as follows:

#### § 330.10 Revocable trust accounts.

(a) *General rule.* Funds owned by an individual and deposited into an account evidencing an intention that upon the death of the owner the funds shall belong to one or more qualifying beneficiaries shall be insured in the amount of up to \$100,000 in the

aggregate as to each such named qualifying beneficiary, separately from any other accounts of the owner or the beneficiaries. For purposes of this provision, the term "qualifying beneficiaries" means the owner's spouse, child/children, grandchild/grandchildren, parent/parents or sibling/siblings. (Example: If A establishes a qualifying account payable upon death to his spouse, sibling and two children, assuming compliance with the rules of this provision, the account would be insured up to \$400,000 separately from any other different types of accounts either A or the beneficiaries may have with the same depository institution.) Accounts covered by this provision are commonly referred to as tentative or "Totten trust" accounts, "payable-on-death" accounts, or revocable trust accounts.

\* \* \* \* \*

By order of the Board of Directors.

Dated at Washington, D.C., this 7th day of July, 1998.

Federal Deposit Insurance Corporation.

**James LaPierre,**

*Deputy Executive Secretary.*

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## DEPARTMENT OF TRANSPORTATION

### Federal Aviation Administration

#### 14 CFR Part 39

[Docket No. 98-NM-50-AD]

RIN 2120-AA64

#### **Airworthiness Directives; Boeing Model 737-100, -200, -300, -400, and -500 Series Airplanes**

**AGENCY:** Federal Aviation Administration, DOT.

**ACTION:** Notice of proposed rulemaking (NPRM); reopening of comment period.

**SUMMARY:** This document announces a reopening of the comment period for the above-referenced NPRM which proposed adoption of a new airworthiness directive (AD) that is applicable to all Boeing Model 737-100, -200, -300, -400, and -500 series airplanes. That NPRM invites comments concerning the proposed requirements for installation of components for the suppression of electrical transients, and/or installation of components to provide shielding and separation to the fuel system wiring that is routed to the fuel tanks from adjacent wiring; and installation of flame arrestors and pressure relief valves in the fuel vent system. This reopening of the comment

period is necessary to afford all interested persons an opportunity to present their views on the proposed requirements of that NPRM.

**DATES:** Comments must be received by August 31, 1998.

**ADDRESSES:** Submit comments in triplicate to the Federal Aviation Administration (FAA), Transport Airplane Directorate, ANM-114, Attention: Rules Docket No. 98-NM-50-AD, 1601 Lind Avenue, SW., Renton, Washington 98055-4056. Comments may be inspected at this location between 9:00 a.m. and 3:00 p.m., Monday through Friday, except Federal holidays.

Information concerning this NPRM may be obtained from or examined at the FAA, Transport Airplane Directorate, 1601 Lind Avenue, SW., Renton, Washington.

**FOR FURTHER INFORMATION CONTACT:** Chris Hartonas, Aerospace Engineer, Systems and Equipment Branch, ANM-130S, FAA, Transport Airplane Directorate, Seattle Aircraft Certification Office, 1601 Lind Avenue, SW., Renton, Washington 98055-4056, telephone (425) 227-2864, fax (425) 227-1181; or Dorr Anderson, Aerospace Engineer, Propulsion Branch, ANM-140S, FAA, Transport Airplane Directorate, Seattle Aircraft Certification Office, 1601 Lind Avenue, SW., Renton, Washington 98055-4056, telephone (425) 227-2684, fax (425) 227-1181.

**SUPPLEMENTARY INFORMATION:** A proposal to amend part 39 of the Federal Aviation Regulations (14 CFR part 39) to include an airworthiness directive (AD) that is applicable to all Boeing Model 737-100, -200, -300, -400, and -500 series airplanes was published in the **Federal Register** on April 22, 1998 (63 FR 19852). That action proposed to require installation of components for the suppression of electrical transients, and/or installation of components to provide shielding and separation to the fuel system wiring that is routed to the fuel tanks from adjacent wiring; and installation of flame arrestors and pressure relief valves in the fuel vent system. That action invites comments on regulatory, economic, environmental, and energy aspects of the proposal.

That action was prompted by testing results, obtained in support of an accident investigation, and by re-examination of possible causes of a similar accident. The actions specified by the proposed AD are intended to prevent possible ignition of fuel vapors in the fuel tanks, and external ignition of the fuel vapor exiting the fuel vent system and consequent propagation of a flame front into the fuel tanks.

Since the issuance of that proposal, commenters have raised issues regarding the ability to implement corrective action in a timely manner, particularly because the manufacturer has yet to issue a service bulletin. Based on these and other comments, the FAA has determined that further discussion and input may be beneficial prior to the adoption of a final rule. As a result, the FAA has decided to reopen the comment period for 45 days to receive additional comments.

The comment period for Rules Docket No. 98-NM-50-AD closes August 31, 1998.

Because no other portion of the proposal or other regulatory information has been changed, the entire proposal is not being republished.

Issued in Renton, Washington, on July 8, 1998.

**Darrell M. Pederson,**

*Acting Manager, Transport Airplane Directorate, Aircraft Certification Service.*

[FR Doc. 98-18950 Filed 7-16-98; 8:45 am]

BILLING CODE 4910-13-U

## DEPARTMENT OF TRANSPORTATION

### Federal Aviation Administration

#### 14 CFR Part 71

[Airspace Docket No. 98-AGL-43]

#### **Proposed Modification of Class E Airspace; Two Harbors, MN**

**AGENCY:** Federal Aviation Administration (FAA), DOT.

**ACTION:** Notice of proposed rulemaking.

**SUMMARY:** This notice proposes to modify Class E airspace at Two Harbors, MN. A Global Positioning System (GPS) Standard Instrument Approach Procedure (SIAP) to Runway (Rwy) 24 has been developed for Richard B. Helgeson Airport. Controlled airspace extending upward from 700 to 1200 feet above ground level (AGL) is needed to contain aircraft executing the approach. This action would increase the radius of, and add a northeast extension to, the existing controlled airspace for Richard B. Helgeson Airport.

**DATES:** Comments must be received on or before September 8, 1998.

**ADDRESSES:** Send comments on the proposal in triplicate to: Federal Aviation Administration, Office of the Assistant Chief Counsel, AGL-7, Rules Docket No. 98-AGL-43, 2300 East Devon Avenue, Des Plaines, Illinois 60018.

The official docket may be examined in the Office of the Assistant Chief