

and not intended to be held to maturity.<sup>7</sup>

Furthermore, the Board believes that there is a distinction between the interest earned by a section 20 subsidiary from holding these kinds of securities and the profit made from underwriting or reselling them. The profit or loss a section 20 subsidiary earns on the resale of ineligible debt securities the subsidiary holds in inventory is the revenue that should be attributed to performing the functions of dealing in or underwriting these securities, the critical element of which is the actual offering and sale of the instruments involved.<sup>8</sup> On the other hand, the interest a subsidiary earns on ineligible debt securities while it holds them in inventory is revenue best attributed to holding the securities as a member bank may do under the Glass-Steagall Act.<sup>9</sup>

Accordingly, the Board is amending its section 20 orders to specify that a section 20 subsidiary may treat interest earned on the types of debt securities that a member bank may hold for its own account, either for investment or as an underwriter or dealer, as eligible revenue in calculating compliance with the Board's revenue limitation.

With respect to the suggestion to defer action on this proposal, the Board does not believe that the impact of this interpretation on any particular firm is relevant to whether the interpretation properly reflects the requirements of section 20. However, the Board has used proprietary data to consider the impact the proposal could be expected to have on each section 20 subsidiary based on its activities and portfolio composition during prior quarters. Review of reports and other data provided by the section 20 subsidiaries indicates that the impact of the change will vary considerably

depending on the products offered and inventory maintained by each subsidiary, as well as the profitability of those products.<sup>10</sup>

Similarly, the Board does not believe that there would be any benefit in seeking additional public comment regarding manipulation of the revenue test that could arise from the proposed amendment. The Board does not believe that the amendment would lead to manipulation of the test. Interest earned on a security is sufficiently distinct from the profit earned or loss incurred on a security as to allow the Board to monitor the appropriate classification of revenue. As noted, the Board's quarterly report for section 20 subsidiaries requires that they report interest income and dividends received separately from profit or loss.

Furthermore, the Board has supervised revenue test compliance by section 20 subsidiaries for nine years, and has developed substantial experience in ensuring that section 20 subsidiaries properly classify a variety of different types of revenue in computing compliance with the limitation on ineligible revenue.<sup>11</sup> Section 20 subsidiaries have adopted policies, procedures, accounting systems, and related controls to ensure proper classification of revenues. The Board expects section 20 subsidiaries will amend accounting systems and controls as necessary, and that internal auditors will continue to monitor revenue test compliance and revise their audit programs in response to the Board's action.

The Board will review suggestions for further changes offered by commenters at a later date.

By order of the Board of Governors of the Federal Reserve System, September 11, 1996.<sup>12</sup>

William W. Wiles,

*Secretary of the Board.*

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<sup>10</sup> The change will have the greatest impact on those section 20 subsidiaries with debt and equity underwriting powers who are primary dealers and maintain substantial inventories of government and investment-grade ineligible debt securities. Data for two recent quarters indicates that if the change had been in effect, quarterly ineligible revenue for each such company would have decreased between 19 percent and 79 percent.

<sup>11</sup> As noted above, section 20 subsidiaries currently report interest income and dividends received separately from profit or loss on Form FR Y-20.

<sup>12</sup> Voting for this action: Chairman Greenspan, Vice Chair Rivlin, and Governors Kelley, Lindsey, Phillips, Yellen and Meyer.

## **Change in Bank Control Notices; Acquisitions of Shares of Banks or Bank Holding Companies**

The notificants listed below have applied under the Change in Bank Control Act (12 U.S.C. 1817(j)) and § 225.41 of the Board's Regulation Y (12 CFR 225.41) to acquire a bank or bank holding company. The factors that are considered in acting on the notices are set forth in paragraph 7 of the Act (12 U.S.C. 1817(j)(7)).

The notices are available for immediate inspection at the Federal Reserve Bank indicated. Once the notices have been accepted for processing, they will also be available for inspection at the offices of the Board of Governors. Interested persons may express their views in writing to the Reserve Bank indicated for that notice or to the offices of the Board of Governors. Comments must be received not later than September 23, 1996.

A. Federal Reserve Bank of Kansas City (John E. Yorke, Senior Vice President) 925 Grand Avenue, Kansas City, Missouri 64198:

1. *Jon and Angela Pope*, both of Hoxie, Kansas; to acquire an additional 29 percent, for a total of 52 percent, and Lois Madison, Hoxie, Kansas, to acquire an additional 9 percent, for a total of 30 percent, of the voting shares of Northwest Bancshares, Inc. Rexford, Kansas, and thereby indirectly acquire Peoples State Bank, Colby, Kansas.

Board of Governors of the Federal Reserve System, September 9, 1996.

Jennifer J. Johnson,

*Deputy Secretary of the Board.*

[FR Doc. 96-23483 Filed 9-16-96; 8:45 am]

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## **Change in Bank Control Notices; Acquisitions of Shares of Banks or Bank Holding Companies**

The notificants listed below have applied under the Change in Bank Control Act (12 U.S.C. 1817(j)) and § 225.41 of the Board's Regulation Y (12 CFR 225.41) to acquire a bank or bank holding company. The factors that are considered in acting on the notices are set forth in paragraph 7 of the Act (12 U.S.C. 1817(j)(7)).

The notices are available for immediate inspection at the Federal Reserve Bank indicated. Once the notices have been accepted for processing, they will also be available for inspection at the offices of the Board of Governors. Interested persons may express their views in writing to the Reserve Bank indicated for that notice

<sup>7</sup> Statement of Financial Accounting Standards No. 115.

<sup>8</sup> For purposes of the section 20 revenue limitation, the Board has viewed "public sale" to include the activity of dealing in securities—the process of buying and reselling to the public specific securities as part of an ongoing, regular business. *E.g., Citicorp, supra*, at 506-08. The term "underwriting" generally refers to the process by which new issues of securities are offered and sold to the public. *E.g., Securities Industry Association v. Board of Governors*, 807 F.2d 1052, 1062-66 (D.C. Cir. 1986), *cert. denied*, 483 U.S. 1005 (1987).

<sup>9</sup> This distinction is further reflected in the current reporting requirements for section 20 subsidiaries and in Generally Accepted Accounting Principles for bank holding companies, which prescribe that interest revenue be reported separately from gains or losses on securities owned. FR Y-20 Instructions, Statement of Income, Schedule SUD-I, Line Items 2, 5; Securities and Exchange Commission FOCUS Report (Form X-17A-5 Part II) and instructions thereto. Generally Accepted Accounting Principles incorporate the format of the FOCUS Report.

or to the offices of the Board of Governors. Comments must be received not later than October 1, 1996.

A. Federal Reserve Bank of Atlanta (Zane R. Kelley, Vice President) 104 Marietta Street, N.W., Atlanta, Georgia 30303:

1. *Thomas Wayne Colbert*, Forest, Mississippi; to acquire an additional 7.21 percent, for a total of 32.04 percent; *Ann Brand Colbert*, Forest, Mississippi; to acquire a total of 3.48 percent; and *Thomas Wayne Colbert, Jr.*, Forest, Mississippi; to acquire an additional 6.93 percent, for a total of 7.09 percent, of the voting shares of Community Bancshares of Mississippi, Inc., Forest, Mississippi, and thereby indirectly acquire Community Bank of Mississippi, Forest, Mississippi.

B. Federal Reserve Bank of Chicago (James A. Bluemle, Vice President) 230 South LaSalle Street, Chicago, Illinois 60690:

1. *James Henry Keeline*, Yakutat, Alaska, and *Richard Orville Carpenter*, Ruthven, Iowa; each to acquire an additional .92 percent for a total of 55 percent of the voting share of Ruthven Investment Limited, Ruthven, Iowa, and thereby indirectly acquire Ruthven State Bank, Ruthven, Iowa. Notificants will jointly control the shares as co-executors of the Jennie M. Keeline (deceased) estate.

Board of Governors of the Federal Reserve System, September 11, 1996.

Jennifer J. Johnson,

Deputy Secretary of the Board.

[FR Doc. 96-23279 Filed 9-16-96; 8:45 am]

BILLING CODE 6210-01-F

## 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. Once the application has been accepted for processing, it will also be 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, including whether the acquisition of the nonbanking company can "reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices" (12 U.S.C. 1843). Any request for a hearing must be accompanied by a statement of the reasons a written presentation would not suffice in lieu of a hearing, identifying specifically any questions of fact that are in dispute, summarizing the evidence that would be presented at a hearing, and indicating how the party commenting would be aggrieved by approval of the proposal. Unless otherwise noted, nonbanking activities will be conducted throughout the United States.

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 October 11, 1996.

A. Federal Reserve Bank of Atlanta (Zane R. Kelley, Vice President) 104 Marietta Street, N.W., Atlanta, Georgia 30303:

1. *Smoky Mountain Bancorp, Inc.*, Gatlinburg, Tennessee; to acquire 100 percent of the voting shares of BankFirst, Knoxville, Tennessee.

2. *Upton Bankshares, Inc.*, Thomaston, Georgia; to become a bank holding company by acquiring 100 percent of the voting shares of Bank of Upton, Thomaston, Georgia.

3. *Wilson Bank Holding Company*, Lebanon, Tennessee; to acquire 50 percent of the voting shares of Community Bank of Smith County, Carthage, Tennessee (in organization).

B. Federal Reserve Bank of St. Louis (Randall C. Sumner, Vice President) 411 Locust Street, St. Louis, Missouri 63166:

1. *Union Illinois Company Employee Stock Ownership Trust*, Swansea, Illinois; to retain an additional 1.90 percent, for a total of 33.10 percent, of the voting shares of Union Illinois Company, Swansea, Illinois, and thereby indirectly retain State Bank of Jerseyville, Jerseyville, Illinois, and Union Bank of Illinois, Swansea, Illinois.

C. Federal Reserve Bank of Kansas City (John E. Yorke, Senior Vice President) 925 Grand Avenue, Kansas City, Missouri 64198:

1. *FirstBank Holding Company of Colorado ESOP*, Lakewood, Colorado; to acquire 26.7 percent of the voting shares of FirstBank Holding Company of Colorado, Lakewood, Colorado, and thereby indirectly acquire FirstBank of Arvada, N.A., Arvada, Colorado; FirstBank of Aurora, N.A., Aurora, Colorado; FirstBank of Avon, Avon, Colorado; FirstBank of Boulder, N.A., Boulder, Colorado; FirstBank of Breckenridge, N.A., Breckenridge, Colorado; FirstBank of Douglas County, N.A., Castle Rock, Colorado; FirstBank of Colorado Springs, Colorado Springs, Colorado; FirstBank of Cherry Creek, N.A., Denver, Colorado; FirstBank of Denver, N.A., Denver, Colorado; FirstBank of Longmont, Longmont, Colorado; FirstBank of Northern Colorado, Fort Collins, Colorado; FirstBank of Tech Center, N.A., Englewood, Colorado; FirstBank of Colorado, N.A., Lakewood, Colorado; FirstBank of South Jeffco, Littleton, Colorado; FirstBank of Lakewood, N.A., Lakewood, Colorado; First Bank of Littleton, N.A., Littleton, Colorado; FirstBank of Arapahoe County, N.A., Littleton, Colorado; FirstBank of Silverthorne, N.A., Silverthorne, Colorado; FirstBank of Vail, Vail, Colorado; FirstBank North, N.A., Westminster, Colorado; FirstBank of Wheat Ridge, N.A., Wheat Ridge, Colorado; and FirstBank, N.A., Palm Desert, California.

2. *Nolte Family Limited Partnership*, Kenesaw, Nebraska; to become a bank holding company by acquiring 35 percent of the voting shares of First Kenesaw Company, Kenesaw, Nebraska, and thereby indirectly acquire Adams County Bank, Kenesaw, Nebraska.

In connection with this application, Nolte Family Partnership has also applied to engage through First Kenesaw Company, in the sale of general insurance in towns less than 5,000 in population, pursuant to § 225.25(b)(8)(iii) of the Board's Regulation Y.

D. Federal Reserve Bank of Dallas (Genie D. Short, Vice President) 2200 North Pearl Street, Dallas, Texas 75201-2272:

1. *First Baird Bancshares, Inc.*, Baird, Texas, First Baird Bancshares of Delaware, Inc., Dover, Delaware, Weatherford Bancshares, Inc., Weatherford, Texas, and First Weatherford Bancshares, Inc., Weatherford, Texas; to acquire 88.81 percent of the voting shares of First Munday Bancshares, Inc., Munday,