

(d) Within the scope of § 1751.101(d), if the Plan Developer is the PUC, the Modernization Plan shall name the Telecommunications Providers in the State, in addition to Borrowers, that are covered by the Modernization Plan.

(e) The Modernization Plan must require that the design of the network provided by Telecommunications Providers allow for the expeditious deployment and integration of such emerging technologies as may from time to time become commercially feasible.

(f) The Modernization Plan must provide guidelines to Telecommunications Providers for the development of affordable tariffs for medical links and distance learning services.

(g) With regard to the uniform deployment requirement of the law restated in paragraph (a)(5) of this section, if services cannot be deployed at the same time, only the minimum feasible interval of time shall separate availability of the services in rural and nonrural areas.

(h) The Modernization Plan must make provision for reliable powering of ordinary voice telephone service operating over those portions of the telecommunications network which are not network powered. In the event of electric utility power outages, an alternative source of power must be available to ensure reliable voice service.

(i) *Short-term requirements.* (1) The "short-term requirements start date" is the date one year after the date RUS approves the Modernization Plan for the State.

(2) All New Facilities providing Wireline Service after the short-term requirements start date, even if the construction began before such date, shall be constructed so that:

(i) Every subscriber can be provided 1-party service.

(ii) The New Facilities are suitable, as built or with additional equipment, to provide transmission and reception of data at a rate no lower than 1 Mb/sec.

(3) All switching equipment installed by a Telecommunications Provider after the short-term requirements start date shall be capable of:

(i) Providing custom calling features. At a minimum, custom calling features must include call waiting, call forwarding, abbreviated dialing, and three-way calling; and

(ii) Providing E911 service for areas served by the Telecommunication Provider when requested by the government responsible for this service.

(j) *Medium-term requirements.* (1) The "medium-term requirements start date" is the date six years after the date RUS

approves the Modernization Plan for the State, or such earlier date as the Modernization Plan shall provide.

(2) All New Facilities providing Wireline Service after the medium-term requirements start date, even if the construction began before such date, shall be capable, as built or with additional equipment, of transmitting video to a subscriber. The video must be capable of depicting a reasonable representation of motion. The frame rate, resolution, and other measures of audio and video quality shall be determined by the Plan Developer.

(3) No later than the medium-term requirements start date, all switching equipment of Telecommunications Providers covered by the Modernization Plan must be capable of providing E911 service when requested by the government responsible for this service.

(4) No later than five years after the medium-term requirements start date, one-party service must be provided upon demand to any subscriber of a Telecommunications Provider covered by the Modernization Plan.

(k) *Long-term goals.* RUS suggests, but does not require, that the provisions of each Modernization Plan be consistent with the accomplishment of the following:

(1) The elimination of party line service.

(2) For subscribers that desire the service, universal availability of:

(i) digital voice and data service (56–164 kb/sec).

(ii) service that provides transmission and reception of high bit rate (no less than 1 Mb/sec) data.

(iii) service that provides reception of video as described in paragraph (j)(2) of this section.

Dated: January 23, 1995.

**Bob J. Nash,**

*Under Secretary, Rural Economic and Community Development.*

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## FEDERAL RESERVE SYSTEM

### 12 CFR Parts 208 and 225

[Regulations H and Y; Docket No. R–0835]

#### Capital; Capital Adequacy Guidelines

**AGENCY:** Board of Governors of the Federal Reserve System.

**ACTION:** Final rule.

**SUMMARY:** The Board of Governors of the Federal Reserve System (Board) is amending its risk-based capital guidelines for state member banks and

bank holding companies (banking organizations) to implement section 350 of the Riegle Community Development and Regulatory Improvement Act of 1994 (Riegle Act). Section 350 states that the amount of risk-based capital required to be maintained by any insured depository institution, with respect to assets transferred with recourse, may not exceed the maximum amount of recourse for which the institution is contractually liable under the recourse agreement. This rule will have the effect of correcting the anomaly that currently exists in the risk-based capital treatment of recourse transactions under which an institution could be required to hold capital in excess of the maximum amount of loss possible under the contractual terms of the recourse obligation.

**EFFECTIVE DATE:** March 22, 1995.

**FOR FURTHER INFORMATION CONTACT:** Rhoger H Pugh, Assistant Director (202/728–5883), Thomas R. Boemio, Supervisory Financial Analyst (202/452–2982), or David Elkes (202/452–5218), Senior Financial Analyst, Policy Development, Division of Banking Supervision and Regulation. For the hearing impaired only, Telecommunication Device for the Deaf (TDD), Dorothea Thompson (202/452–3544), Board of Governors of the Federal Reserve System, 20th and C Streets NW., Washington, DC 20551.

#### SUPPLEMENTARY INFORMATION:

##### Background

The Board's current regulatory capital guidelines are intended to ensure that banking organizations that transfer assets and retain the credit risk inherent in the assets maintain adequate capital to support that risk. For banks, this is generally accomplished by requiring that assets transferred with recourse continue to be reported on the balance sheet in regulatory reports. These amounts are thus included in the calculation of banks' risk-based and leverage capital ratios. For bank holding companies, transfers of assets with recourse are reported in accordance with generally accepted accounting principles (GAAP), which treats most such transactions as sales, allowing the assets to be removed from the balance sheet.<sup>1</sup> For purposes of calculating bank

<sup>1</sup> The GAAP treatment focuses on the transfer of benefits rather than the retention of risk and, thus, allows a transfer of receivables with recourse to be accounted for as a sale if the transferor: (1) surrenders control of the future economic benefits of the assets; (2) is able to reasonably estimate its obligations under the recourse provision; and (3) is not obligated to repurchase the assets except pursuant to the recourse provision. In addition, the

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