Title 12—BANKS AND BANKING

Chapter II—Federal Reserve System

SUBCHAPTER A—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

[Reg. G]

PART 207—SECURITIES CREDIT BY PERSONS OTHER THAN BANKS, BROKERS, OR DEALERS

Financing of Stock Options

§ 207.105 Applicability of plan-lender provisions to financing of stock options and stock purchase rights qualified or restricted under Internal Revenue Code.

(a) The Board has recently been asked whether the plan-lender provisions of § 207.4(a) of Regulation G, "Securities Credit by Persons other than Banks, Brokers, or Dealers," were intended to apply to the financing of stock options restricted or qualified under the Internal Revenue Code where such options or the option plan do not provide for such financing.

(b) Section 207.4(a) of Regulation G permits a corporation or its plan-lender to extend credit to its employees without regard to the normal credit limitations of the regulation for the purpose of exercising stock options or stock purchase rights if the plan or agreement under which the credit is extended complies with certain requirements. Subparagraph (1) of § 207.4(a) is in effect a "grandfather clause," exempting from most of the credit limitations of Regulation G any such credit extended in connection with options or rights meeting certain specified "pre-existing" conditions. Generally, these conditions recognize inequities that would result from application of the regulation's restrictions to credit extended in connection with options or rights granted, or contractual commitments made prior to February 1, 1968, the date the adoption of Regulation G was announced. Subparagraph (2) of § 207.4(a) provides a more limited exemption for credit extended in connection with options or rights granted after February 1, 1968, and establishes requirements for plans seeking to qualify for this exemption.

(c) Subdivision (iii) of § 207.4(a)(1), which was added effective July 8, 1969, was designed to provide exemption, from all but certain reporting provisions, for credit extended pursuant to the exercise of stock options or rights that are qualified or restricted under sections 422–424 of the Internal Revenue Code, if the options or rights were granted prior to February 1, 1968. This exemption applies only to those plans that provided for credit. This is because (1) employer-lenders who intended to supply credit when granting such options could not have anticipated the requirements of Regulation G and (2) the position of the Commissioner of Internal Revenue that such plans cannot be modified, would frustrate that intention. If a particular plan did not provide for credit, no expectations would be defeated by the fact that it could not be modified to add such provisions.

(d) The recent amendment to subparagraph (2) of § 207.4(a), which applies to stock purchase as well as option plans, was to clarify that to be treated as subject to the more limited exemption in that subparagraph, an otherwise appropriate credit arrangement need not be part of the plan. It is the Board's experience that in some nonqualified plans, particularly stock purchase plans, the credit arrangement is distinct from the plan. So long as the credit extended, and particularly, in the present context, the character of the plan-lender, conforms with the requirements of the regulation, the fact that option and credit are provided for in separate documents is immaterial. It should be emphasized that the Board does not express any view on the preferability of qualified as opposed to nonqualified options; its role is merely to prevent excessive credit in this area.

(e) The amendments promulgated on February 10, 1969, made one other change in § 207.4(a). This was the addition of the provision that the plan-lender must be wholly owned as well as controlled by the issuer of the collateral (taking as a whole, corporate groups including subsidiaries and affiliates). This insertion was made to clarify the Board's intent that, to qualify for special treatment under that section, the lender must stand in a special employer-employee relationship with the borrower, and a special relationship of issuer with regard to the collateral. The fact that the Board, for convenience and practical reasons, permitted the employing corporation to act through a subsidiary or other entity should not be interpreted to mean the Board intended the lender to be other than an entity whose overriding interests were coextensive with the issuer. An independent corporation, with independent interests was never intended, regardless of form, to be at the base of exempt stock-plan lending.

(15 U.S.C. 78g. Interprets or applies 15 U.S.C. 78g)

By order of the Board of Governors, October 30, 1969.

[SEAL] ROBERT P. FORRESTAL, *Assistant Secretary.*

[F.R. Doc. 69-13524; Filed, Nov. 13, 1969; 8:47 a.m.]

[Reg. Z]

PART 226—TRUTH IN LENDING

Agricultural Credit—Information Not Determinable

1. Effective November 6, 1969, § 226.8 is amended by the addition of paragraph (p) and § 226.9(g)(4) is amended as follows:

§ 226.8 Credit other than open end—specific disclosures.

* * * * *

(p) *Agricultural credit—information not determinable.* (1) In any transaction subject to this section, if the amount or date of any advance or payment in connection with an extension of credit for agricultural purposes under a written agreement is to be determined by production, seasonal needs, or similar operational factors, and is not determinable at the time of execution of the agreement, disclosures may be made at the creditor's option in accordance with this paragraph, provided the use of this paragraph is not for the purpose of circumvention or evasion of this part.

(2) If a creditor elects to make disclosures under this paragraph, he shall disclose the following items in accordance with paragraph (a) of this section, which shall constitute compliance with the requirements of this § 226.8, and under § 226.9(a) shall constitute "all other material disclosures required under this part":

(i) The method of computing the amount of the finance charge including an identification of each component thereof in accordance with § 226.4;

(ii) Any item required to be disclosed under paragraph (b)(3) of this section which is determinable at the time the disclosures are required to be made under this paragraph.

(iii) The disclosures, as applicable, required under paragraph (b) (4), (5), (6), and (7) of this section and the items described in paragraph (e) (1) and (2) of this section.

(iv) The disclosures as applicable, required under paragraph (o) (1), (2), (3), (4), (5), (8), and (9) of this section.

(3) Disclosures made pursuant to subparagraph (2) (i), (ii), and (iii) of this paragraph need be made only on the agreement or on a separate statement as specified in paragraph (a) of this section.

(4) If a creditor making disclosures pursuant to this paragraph transmits a periodic billing statement of the type described in paragraph (n) of this section, such statement shall be in a form which the customer may retain and shall set forth the date by which, or the period, if any, within which payment must be made in order to avoid late payment or delinquency charges.

§ 226.9 Right to rescind certain transactions.

* * * * *

(g) *Exceptions to general rule.* * * *

(4) Any advance for agricultural purposes made pursuant to either:

(i) Paragraph (j) of § 226.8 under an open end real estate mortgage or similar lien, provided the disclosure required under paragraph (b) of this section was made at the time the security interest was acquired by the creditor or at any time prior to the first advance made on or following the effective date of this part, or

(ii) Paragraph (p) of § 226.8 under a written agreement, provided the disclosure required under paragraph (b) of this section was made at the time the written agreement was executed by the customer.

2a. The purpose of the amendments is to facilitate meaningful disclosure of

credit terms in certain types of agricultural credit extensions where information regarding the dates or amounts of advances or payments is not determinable at the time of entering into an agreement for the extension of credit.

b. The requirements of section 553 of title 5, United States Code, with respect to notice, public participation, and deferred effective date were not followed in connection with these amendments. The effect of the amendments in general is to provide relief from a restriction and, in view of the unnecessary hardship on certain creditors in complying with the original §§ 226.8 and 226.9, the Board found that following such procedures would result in delay that would be contrary to the public interest.

By order of the Board of Governors, November 6, 1969.

[SEAL] ROBERT P. FORRESTAL, *Assistant Secretary.*

[F.R. Doc. 69-13525; Filed, Nov. 13, 1969; 8:47 a.m.]

[Reg. Z]

PART 226—TRUTH IN LENDING

Interpretation

§ 226.812 Advances under open end real estate mortgages for agricultural purposes.

(a) Under § 226.8(p) disclosures are permitted in connection with certain extensions of credit for agricultural purposes which may involve advances under an open end real estate mortgage or similar lien. Section 226.8(j) in part treats advances for agricultural purposes under an open end real estate mortgage or similar lien. The question arises as to the respective application of these paragraphs to such advances.

(b) If an extension of credit involving multiple advances, whether or not under an open end mortgage, meets the tests of § 226.8(p), disclosures need only be made prior to consummation of the credit transaction and need not be made at the time of each individual advance, even though such advance for agricultural purposes may not meet the tests in § 226.8(j). Conversely, extensions of credit for agricultural purposes involving advances under an open end real estate mortgage or similar lien which do not meet the tests for disclosure under § 226.8 (p) are subject to the relevant provisions of § 226.8(j) dealing with such advances.

(Interprets and applies 15 U.S.C. 1638 and 1639)

Dated at Washington, D.C., the 6th day of November 1969.

By order of the Board of Governors.

[SEAL] ROBERT P. FORRESTAL, *Assistant Secretary.*

[F.R. Doc. 69-13526; Filed, Nov. 13, 1969; 8:47 a.m.]

Title 16—COMMERCIAL PRACTICES

Chapter I—Federal Trade Commission

PART 15—ADMINISTRATIVE OPINIONS AND RULINGS

Disclosure of Origin of Imported Locks

§ 15.385 Disclosure of origin of imported locks.

(a) The Commission advised concerning locks imported from England and Italy that it would be necessary to make a clear and conspicuous disclosure of the foreign country of origin on the locks. If the locks are displayed at the point of sale in a container so that the disclosure of origin is not likely to be seen, it would also be necessary to make the same disclosure of foreign origin on the containers in which they are packaged.

(b) Under the facts involved in the ruling, the locks will be used for both residential and commercial purposes and some of them could be marketed under the trade name of a domestic company, which contains the name of a well-known American city.

(38 Stat. 717, as amended; 15 U.S.C. 41-58)

Issued: November 13, 1969.

By direction of the Commission.

[SEAL] JOSEPH W. SHEA, *Secretary.*

[F.R. Doc. 69-13447; Filed, Nov. 13, 1969; 8:45 a.m.]

Title 21—FOOD AND DRUGS

Chapter I—Food and Drug Administration, Department of Health, Education, and Welfare

SUBCHAPTER C—DRUGS

PART 135b—NEW ANIMAL DRUGS FOR IMPLEMENTATION OR INJECTION

PART 135g—TOLERANCES FOR RESIDUES OF NEW ANIMAL DRUGS IN FOOD

Zearalanol

The Commissioner of Food and Drugs, having evaluated the data submitted in an application (38-233V) filed by Commercial Solvents Corp., 1331 South First Street, Terre Haute, Ind. 47808, and other relevant material, concludes that new animal drug regulations should be promulgated to provide for the safe and effective use of zearalanol for the subcutaneous ear implantation of beef steers to increase rate of gain and improve feed efficiency. Since the drug is a potential carcinogen, the Commissioner concludes that the analytical method by which it is determined that no residues are present in the edible tissues of treated cattle should be included in the regulations.

Therefore, pursuant to the provisions of the Federal Food, Drug, and Cosmetic Act (sec. 512(i), 82 Stat. 347; 21 U.S.C. 360b(i)) and under authority delegated to the Commissioner (21 CFR 2.120), a new section is established in new Part 135b and a new section is added to Part 135g, as follows:

§ 135b.12 Zearalanol.

(a) *Chemical name.* 6-(6,10-Dihydroxyundecyl)-β-resorcylic acid-μ-lactone ($C_{18}H_{26}O_5$).

(b) *Specifications.* (1) Melting point range 180°-185° C.

(2) Ultraviolet absorbance: A solution of zearalanol in methanol having a concentration of 10 micrograms per milliliter exhibits three maxima at approximately 218, 265, and 304 μ.

(c) *Sponsor.* Commercial Solvents Corp., 1331 South First Street, Terre Haute, Ind. 47808.

(d) [Reserved]

(e) *Related tolerances.* Section 135g.64 of this chapter.

(f) *Conditions of use.*

	Amount	Limitations	Indications for use
Zearalanol.	Three 12-milligram implants per dose.	For beef steers weighing 500 pounds or more; for subcutaneous ear implantation; not to be used within 65 days of slaughter.	Increase rate of gain and feed efficiency.

§ 135g.64 Zearalanol.

No residues of zearalanol (6-(6,10-dihydroxyundecyl)-β-resorcylic acid-μ-lactone) are found in the uncooked edible tissues of beef steers as determined by the following method of analysis:

I. METHOD OF ANALYSIS—ZEARALANOL

A gas chromatographic method for the determination of the drug in frozen beef tissues is described. Tissue is frozen and stored in a deep freezer until ready for examination. A weighed portion of wet tissue (with exception of fat) is homogenized and lyophilized to dry solid. The drug is recovered from dry tissue by an extraction with methanol in a Soxhlet extractor. The methanol extract is digested in the presence of hydrochloric acid to hydrolyze conjugates should any be present. Elimination of impurities is brought about by liquid partition transfer successively to chloroform to 1*N* sodium hydroxide, to carbon tetrachloride, to 1*N* sodium hydroxide, to ethyl ether, and, finally, to a dry residue. The residue is reacted with a silane mixture to create a volatile derivative which is quantitated by peak area measurements from a flame ionization detector. The drug can be detected at a level of 20 parts per billion with negligible interference from tissues or reagents.

II. REAGENTS

A. Carbon tetrachloride, N.F., Fisher Scientific C-186, or equivalent.