

**SUMMARY:** The Board is revising its Rules Regarding Foreign Gifts and Decorations, which govern the acceptance, retention, and disposition of gifts and decorations from foreign governments by Board employees under the Foreign Gifts and Decorations Act of 1966, as amended ("Act"). The revisions reorganize and update the language of the existing rules, update the internal procedures of the Office of the Secretary, augment practices for complying with the Act, and delegate certain approval and enforcement authority. The substantive requirements for compliance with the rules remain unchanged.

**EFFECTIVE DATE:** The final rule is effective January 9, 2004.

**FOR FURTHER INFORMATION CONTACT:** Robert deV. Frierson, Deputy Secretary of the Board, Board of Governors of the Federal Reserve System, Washington, DC at (202) 452-3711. For users of Telecommunications Device for the Deaf (TDD) only, contact (202) 263-4869.

**SUPPLEMENTARY INFORMATION:** Section 515(a)(1) of the Foreign Relations Authorization Act, Fiscal Year 1978, amended the Foreign Gifts and Decorations Act of 1966 (5 U.S.C. 7342), making substantial changes to the law governing acceptance and retention of gifts and decorations from foreign governments. In 1979, the Board implemented these changes by adopting its Rules Regarding Foreign Gifts and Decorations (12 CFR part 264b).

The final rule updates the organization and language of the existing rules to make them easier to understand. In addition, it augments practices for complying with the Act, which include aggregating the value of all tangible gifts presented at or marking an event for purposes of applying the minimal-value threshold (\$285 or less, adjusted every three years for inflation), but not aggregating the total value of tangible gifts received at two or more events, even if on the same day. The revisions also clarify that gifts of travel or travel expenses of more than minimal value for travel taking place entirely outside the United States are accepted in accordance with specific instructions of the Board if preapproved by the Administrative Governor or the Administrative Governor's designee. Gifts of travel or travel expenses accepted without such prior approval must be reported to the Office of the Secretary and must receive after-the-fact approval, or the Board employee is personally liable to repay the expenses.

The final rule also delegates to the Administrative Governor (or designee) the authority to approve acceptance and

retention of decorations and to report, after consultation with the General Counsel, to the Attorney General cases in which there is reason to believe that a Board employee has violated the Act. The Office of the Secretary is delegated the authority to approve and retain tangible gifts of more than minimal value for official use.

#### Regulatory Flexibility Act

This final rule relates solely to the internal management, operations, and personnel of the Board and, therefore, is exempt from notice and comment under 5 U.S.C. 533(a)(2). Accordingly, the Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*) does not apply and a regulatory flexibility analysis is not required.

#### Paperwork Reduction Act

In accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. 3506; 5 CFR 1320 appendix A.1), the Board reviewed the final rule under the authority delegated to the Board by the Office of Management and Budget. No collections of information pursuant to the Paperwork Reduction Act are contained in the final rule.

#### Plain Language

Section 722 of the Gramm-Leach-Bliley Act (12 U.S.C. 4809) requires the Board to use "plain language" in all rules published in the **Federal Register** after January 1, 2000. The Board believes that the final rule is simple and straightforward and is consistent with this "plain language" directive.

#### List of Subjects in 12 CFR Part 264b

Decorations, medals, awards, Foreign relations, Government employees, Government property.

#### Authority and Issuance

■ For the reasons set forth in the preamble, revise part 264b of title 12 of the Code of Federal Regulations to read as follows:

#### PART 264b—RULES REGARDING FOREIGN GIFTS AND DECORATIONS

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| Sec.    |   |
| 264b.1  | Purpose and scope.  |
| 264b.2  | Definitions.  |
| 264b.3  | Restrictions on acceptance of gifts and decorations.  |
| 264b.4  | Gifts of minimal value.   |
| 264b.5  | Gifts of more than minimal value.   |
| 264b.6  | Requirements for gifts of more than minimal value.  |
| 264b.7  | Decorations.  |
| 264b.8  | Disposition or retention of gifts and decorations deposited with the Office of the Secretary. |
| 264b.9  | Enforcement.  |
| 264b.10 | Certain grants excluded.  |

**Authority:** 5 U.S.C. 552, 7342; 12 U.S.C. 248(i).

#### § 264b.1 Purpose and scope.

These rules govern when Board employees, their spouses, and their dependents may accept and retain gifts and decorations from foreign governments under the Foreign Gifts and Decorations Act of 1966, as amended (5 U.S.C. 7342) ("Act").

#### § 264b.2 Definitions.

When used in this part, the following terms have the meanings indicated:

(a) *Board employees* means:

(1) Members of the Board of Governors of the Federal Reserve System ("Board"), officers, and other employees of the Board, including experts or consultants while employed by, and acting on behalf of, the Board; and

(2) Spouses (unless separated) or dependents (within the meaning of section 152 of the Internal Revenue Code of 1986 (26 U.S.C. 152)) of such persons.

(b) *Foreign government* means:

(1) Any unit of foreign governmental authority, including any foreign national, State, local, or municipal government;

(2) Any international or multinational organization whose membership is composed of any unit of foreign government as described in paragraph (b)(1) of this section; and

(3) Any agent or representative of any such unit or organization, while acting as such.

(c) *Gift* means a tangible or intangible present (other than a decoration) tendered by, or received from, a foreign government.

(d) *Decoration* means an order, device, medal, badge, insignia, emblem, or award tendered by, or received from, a foreign government.

(e) *Minimal value* means retail value in the United States at the time of acceptance of \$285 or less as of January 1, 2002, and at 3-year intervals thereafter, as redefined in regulations prescribed by the Administrator of General Services, in consultation with the Secretary of State, to reflect changes in the consumer price index for the immediately preceding 3-year period.

(f) *Administrative Governor* means the Board member serving as the Administrative Governor and includes persons designated by the Administrative Governor to exercise the authority granted under this part in the governor's absence.