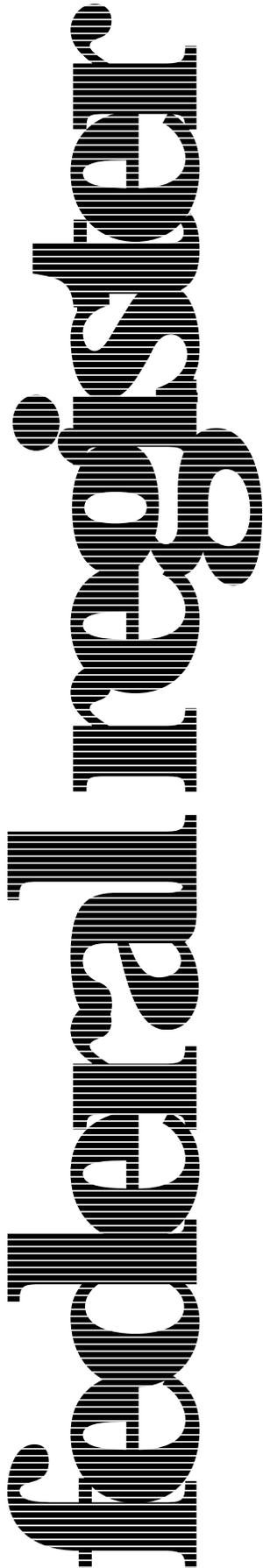


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Monday  
April 27, 1998



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**Part LVII**

**Federal Reserve  
System**

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Semiannual Regulatory Agenda

FEDERAL RESERVE SYSTEM (FRS)

FEDERAL RESERVE SYSTEM

12 CFR Ch. II

Semiannual Regulatory Flexibility Agenda

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Semiannual regulatory agenda.

SUMMARY: The Board is issuing this agenda under the Regulatory Flexibility Act and the Board's Statement of Policy Regarding Expanded Rulemaking Procedures. The Board anticipates having under consideration regulatory matters as indicated below during the period April 1 through October 1, 1998. The next semiannual agenda will be published in October 1998.

DATES: Comments about the form or content of the agenda may be submitted any time during the next 6 months.

ADDRESSES: Comments should be addressed to William W. Wiles, Secretary of the Board, Board of Governors of the Federal Reserve System, Washington, DC 20551.

FOR FURTHER INFORMATION CONTACT: A staff contact for each item is indicated with the regulatory description below.

SUPPLEMENTARY INFORMATION: The Board is publishing its April 1998 agenda as part of the April 1998 Unified Agenda of Federal Regulatory and Deregulatory Actions, which is coordinated by the Office of Management and Budget under Executive Order 12866. The agenda also identifies rules the Board has selected for review under section 610(c) of the Regulatory Flexibility Act, and public comment is invited on those entries.

Participation by the Board in the Unified Agenda is on a voluntary basis.

The Board's agenda is divided into three sections. The first, Proposed Rule Stage, reports on matters the Board may consider for public comment during the next 6 months. The second section, Final Rule Stage, reports on matters that have been proposed and are under Board consideration. A third section, Completed Actions, reports on regulatory matters the Board has completed or is not expected to consider further. Matters begun and completed between issues of the agenda have not been included.

A dot (●) preceding an entry indicates a new matter that was not a part of the Board's previous agenda and which the Board has not completed.

Barbara R. Lowrey, Associate Secretary of the Board.

Proposed Rule Stage

Sequence Number	Title	Regulation Identifier Number
4261	Regulation: B—Equal Credit Opportunity; Regulation: M— Consumer Leasing; Regulation: Z—Truth in Lending; and Regulation: DD—Truth in Savings .....	7100-AC46
4262	Regulation: H—Membership of State Banking Institutions in the Federal Reserve System; and Regulation: Y— Bank Holding Companies and Change in Bank Control .....	7100-AB39
4263	Regulation: T—Credit by Brokers and Dealers; Regulation: U— Credit by Banks; and Regulation: X—Borrowers of Securities Credit (Docket Number: R-0995) .....	7100-AC45
4264	Regulation: DD—Truth in Savings .....	7100-AC34
4265	Section 303 Regulatory Review (Section 610 Review) .....	7100-AC09

Final Rule Stage

Sequence Number	Title	Regulation Identifier Number
4266	Regulation: B—Equal Credit Opportunity (Docket Number: R-0978) .....	7100-AC35
4267	Regulation: D—Reserve Requirements of Depository Institutions (Docket Numbers: R-0929 and R-0956) .....	7100-AC11
4268	Regulation: D—Reserve Requirements of Depository Institutions (Docket Number: R-0988) .....	7100-AC48
4269	Regulation: E—Electronic Fund Transfers (Docket Number: R-0919) .....	7100-AC06
4270	Regulation: H—Membership of State Banking Institutions in the Federal Reserve System (Docket Number: R- 0950) .....	7100-AC14
4271	Regulation: H—Membership of State Banking Institutions in the Federal Reserve System (Docket Number: R- 0964) .....	7100-AC37
4272	Regulation: H—Membership of State Banking Institutions in the Federal Reserve System; Regulation: Y—Bank Holding Companies and Change in Bank Control (Docket Number: R-0930) .....	7100-AC13
4273	Regulation: H—Membership of State Banking Institutions in the Federal Reserve System; and Regulation: Y— Bank Holding Companies and Change in Bank Control (Docket Number: R-0976) .....	7100-AC38
4274	Regulation: H—Membership of State Banking Institutions in the Federal Reserve System; and Regulation: Y— Bank Holding Companies and Change in Bank Control (Docket Number: R-0985) .....	7100-AB77
4275	Regulation: H—Membership of State Banking Institutions in the Federal Reserve System; and Regulation: Y— Bank Holding Companies and Change in Bank Control (Docket No: R-0947 & R-0948) .....	7100-AC29
4276	Regulation: H—Membership of State Banking Institutions in the Federal Reserve System; and Regulation: Y— Bank Holding Companies and Change in Bank Control (Docket Number: R-0982) .....	7100-AC39
4277	Regulation: I—Issue and Cancellation of Capital Stock of Federal Reserve Banks (Docket Number: R-0966) .....	7100-AC40

FRS

Final Rule Stage (Continued)

Sequence Number	Title	Regulation Identifier Number
4278	Regulation: K—International Banking Operations (Docket Number: R-0994)	7100-AC47
4279	Regulation: Y—Bank Holding Companies and Change in Bank Control (Docket Number: R-0990)	7100-AC49
4280	Regulation: DD—Truth in Savings (Docket Numbers: R-0836 and R-0869)	7100-AB80
4281	Policy Statement on Privately Operated Multilateral Settlement Systems (Docket Number: R-0987)	7100-AC44
4282	Rules Regarding Availability of Information (Docket Number: R-0917)	7100-AC22
4283	Applicability of Sections 23A and 23B of the Federal Reserve Act to Transactions Between a Member Bank and Its Subsidiaries (Docket Number: R-0977)	7100-AC42

Completed Actions

Sequence Number	Title	Regulation Identifier Number
4284	Regulation: B—Equal Credit Opportunity (Docket Number: R-0955)	7100-AC23
4285	Regulation: D—Reserve Requirements of Depository Institutions (Docket Number: R-0980)	7100-AC36
4286	Regulation: G—Securities Credit by Persons Other than Banks, Brokers, or Dealers; Regulation: T—Credit by Brokers and Dealers; Regulation: U—Credit by Banks (Docket Number: R-0923)	7100-AC12
4287	Regulation: G—Securities Credit by Persons Other Than Banks, Brokers, or Dealers; Regulation: T—Credit by Brokers and Dealers; Regulation: U—Credit by Banks (Docket Number R-0944)	7100-AC27
4288	Regulation: H—Membership of State Banking Institutions in the Federal Reserve System; and Regulation: K—International Banking Operations (Docket Number: R-0962)	7100-AC28
4289	Regulation: H—Membership of State Banking Institutions in the Federal Reserve System; and Regulation: Y—Bank Holding Companies and Change in Bank Control	7100-AB41
4290	Regulation: J—Collection of Checks and Other Items by Federal Reserve Banks and Funds Transfers Through Fedwire (Docket Number: R-0972)	7100-AC41
4291	Regulation: U—Credit by Banks for the Purpose of Purchasing or Carrying Margin Stocks (Docket Number: R-0905) (Section 610 Review)	7100-AB65
4292	Regulation: Y—Bank Holding Companies and Change in Bank Control; Review of Restrictions in the Board's Section 20 Orders (Docket Number: R-0958)	7100-AC31
4293	Regulation: Z—Truth in Lending (Docket Number: R-0960)	7100-AC33
4294	Rules Regarding Availability of Information (Docket Number: R-0975)	7100-AC43

FEDERAL RESERVE SYSTEM (FRS)

Proposed Rule Stage

**4261. • REGULATION: B—EQUAL CREDIT OPPORTUNITY; REGULATION: M—CONSUMER LEASING; REGULATION: Z—TRUTH IN LENDING; AND REGULATION: DD—TRUTH IN SAVINGS**

**Priority:** Substantive, Nonsignificant

**Legal Authority:** 15 USC 1601 et seq; 12 USC 4301 et seq

**CFR Citation:** 12 CFR 202; 12 CFR 213; 12 CFR 226; 12 CFR 230

**Legal Deadline:** None

**Abstract:** Within the next two months, it is expected that the Board will consider issuing for public comment proposals to amend its consumer regulations, B (Equal Credit Opportunity), M (Consumer Leasing), Z

(Truth in Lending), and DD (Truth in Savings) to permit electronic communications to substitute generally for oral or written disclosures, documentation, and notices required under the individual regulations. Similar amendments to Regulation E were proposed as part of the Board's overall review of its regulations as required by section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994 (Docket Number: R-0919; RIN: 7100-AC06). The Board identified the use of electronic communication between consumers and financial institutions as an area that offered an opportunity to reduce regulatory compliance burden without adversely affecting consumer protections.

It is not expected that any proposals would have a significant economic impact on small institutions.

**Timetable:**

Action	Date	FR Cite
Board is expected to request comment by	04/00/98	

**Small Entities Affected:** None

**Government Levels Affected:** None

**Agency Contact:** Michael Hentrell, Attorney, Federal Reserve System, Division of Consumer and Community Affairs  
Phone: 202 452-2412

**RIN:** 7100-AC46

FRS

Proposed Rule Stage

**4262. REGULATION: H—MEMBERSHIP OF STATE BANKING INSTITUTIONS IN THE FEDERAL RESERVE SYSTEM; AND REGULATION: Y—BANK HOLDING COMPANIES AND CHANGE IN BANK CONTROL**

**Priority:** Substantive, Nonsignificant

**Legal Authority:** 12 USC 1831m

**CFR Citation:** 12 CFR 208; 12 CFR 225

**Legal Deadline:** Final, Statutory, January 3, 1993.

**Abstract:** During 1992, the Board's staff consulted with the other Federal banking agencies regarding the implementation of section 112, the bank auditing requirements, of the Federal Deposit Insurance Corporation Improvement Act of 1991. The section includes requirements for insured commercial banks to receive audits of their annual reports by independent public accountants, requirements for banks and their auditors to report certain information to the Board, and requirements for independent audit committees for banks. In some cases, these requirements can be satisfied by comparable arrangements at the bank holding company level. The Act generally exempts insured depository institutions from these requirements when their total assets are less than \$150 million, unless a higher threshold is chosen by the Federal Deposit Insurance Corporation (FDIC).

The FDIC, the agency with primary responsibility for implementing this mandate through regulations, finalized its regulation in May 1993, which applied to all FDIC-insured banks and thrifts. The FDIC's regulation applied these requirements to depository institutions with total assets of \$500 million or more. Subsequently in February 1996, the FDIC approved amendments to its rules implementing section 112 that were largely required by the Riegle Community Development and Regulatory Improvement Act of 1994. These amendments expand opportunities for holding companies to file a single report covering multiple subsidiary banking organizations, conform the rule's references to the Federal Reserve's Regulation O, and make other technical revisions.

The Board has joint rulemaking authority with the other banking agencies regarding the enforcement provisions of section 112. The Board and the other agencies will issue a notice of proposed rulemaking for

public comment when interagency agreement is reached.

**Timetable:**

Action	Date	FR Cite
Board may consider amendments to Regulations H and Y by	04/00/98	

**Small Entities Affected:** None

**Government Levels Affected:** None

**Agency Contact:** Michael Starr, Senior Attorney, Federal Reserve System, Division of Banking Supervision and Regulation  
Phone: 202 452-5874

**RIN:** 7100-AB39

**4263. • REGULATION: T—CREDIT BY BROKERS AND DEALERS; REGULATION: U—CREDIT BY BANKS; AND REGULATION: X—BORROWERS OF SECURITIES CREDIT (DOCKET NUMBER: R-0995)**

**Priority:** Substantive, Nonsignificant

**Legal Authority:** 15 USC 78G, Securities Exchange Act of 1934, as amended

**CFR Citation:** 12 CFR 220; 12 CFR 221; 12 CFR 224

**Legal Deadline:** None

**Abstract:** As part of the regular review of its regulations and in accordance with requirements of section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994, the Board is conducting a review of its margin regulations. In order to complete this review, the Board approved issuing for public comment an advance notice of proposed rulemaking and request for comment in December 1997 (63 FR 2840, January 16, 1998). The advance notice highlights issues raised by commenters in response to previous requests for comment that had not been addressed by the Board in the course of its periodic review. It also provides an opportunity to further harmonize the treatment of bank and nonbank lenders under the revised Regulation U adopted by the Board at the same time as the advance notice. The advance notice also invites comment on all areas of the regulations.

Following review of the public comments, the Board is expected to take further action within the next six months.

**Timetable:**

Action	Date	FR Cite
Board requested comment	01/16/98	63 FR 2840
Further Board action by	08/00/98	

**Small Entities Affected:** None

**Government Levels Affected:** None

**Agency Contact:** Scott Holz, Senior Attorney, Federal Reserve System, Legal Division  
Phone: 202 452-2966

**RIN:** 7100-AC45

**4264. REGULATION: DD—TRUTH IN SAVINGS**

**Priority:** Substantive, Nonsignificant

**Legal Authority:** 12 USC 4301 et seq

**CFR Citation:** 12 CFR 230

**Legal Deadline:** None

**Abstract:** Sections 261 to 275 of the Federal Deposit Insurance Corporation Improvement Act of 1991 require depository institutions to provide a schedule of terms, rates, and fees for deposit accounts offered by the institution. The law also sets forth rules for advertisements for deposit accounts.

In September 1996, the Congress amended the Truth in Savings Act as a part of the Economic Growth and Regulatory Paperwork Reduction Act of 1996. The amendments repeal the definition of "indoor lobby sign," eliminate any disclosure requirements for nonrenewing time accounts with terms less than 30 days, and exempt certain credit unions from coverage. Within the next two months, the Board is expected to consider proposing for public comment amendments to implement the statutory changes. It is not expected that there will be a significant economic impact on small institutions.

**Timetable:**

Action	Date	FR Cite
Board is expected to request comment by	04/00/98	

**Small Entities Affected:** None

**Government Levels Affected:** None

**Agency Contact:** Jane Ahrens, Senior Attorney, Federal Reserve System, Division of Consumer and Community Affairs  
Phone: 202 452-3667

**RIN:** 7100-AC34

## FRS

## Proposed Rule Stage

**4265. SECTION 303 REGULATORY REVIEW (SECTION 610 REVIEW)****Priority:** Substantive, Nonsignificant**Legal Authority:** 12 USC 4803(a)(1); 5 USC 610**CFR Citation:** 12 CFR ch II**Legal Deadline:** Other, Statutory, September 23, 1996. Progress Report due to Congress.

**Abstract:** In response to the requirements of section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994, the Board is reviewing its regulations for purposes of streamlining, improving efficiency, reducing unnecessary costs, and removing inconsistencies and outmoded/duplicative requirements. The Board is also working jointly with the other banking agencies to make uniform regulations and guidelines

implementing common statutory and supervisory policies. A regulatory review timetable was published in the Federal Register in October 1995 (60 FR 53546, October 16, 1995). A progress report was sent to the Congress in September 1996.

Items below indicated with an asterisk are also being reviewed by the Board in accordance with the periodic review requirements of section 610(c) of the Regulatory Flexibility Act.

Within the next twelve months, it is expected that the Board will seek public comment during the course of the reviews of the following regulations/policy statements/other regulatory guidance. Reviews already proposed for public comment appear elsewhere in the Agenda.

\*Regulation B, Equal Credit Opportunity.

Regulation C, Home Mortgage Disclosure.

Regulations H and Y, Appendices, Capital Adequacy Guidelines.

\*Regulation Z, Truth in Lending.

Regulation DD, Truth in Savings.

**Timetable:**

Action	Date	FR Cite
Board action expected during the next twelve months	03/00/99	

**Small Entities Affected:** Businesses

**Government Levels Affected:** None

**Agency Contact:** Barbara R. Lowrey, Associate Secretary, Federal Reserve System, Office of the Secretary  
Phone: 202 452-3742

**RIN:** 7100-AC09

## FEDERAL RESERVE SYSTEM (FRS)

## Final Rule Stage

**4266. REGULATION: B—EQUAL CREDIT OPPORTUNITY (DOCKET NUMBER: R-0978)****Priority:** Substantive, Nonsignificant**Legal Authority:** 15 USC 1691**CFR Citation:** 12 CFR 202**Legal Deadline:** None

**Abstract:** Regulation B requires creditors to provide a consumer with a notice of action taken if an application for credit is denied, an account is terminated, or the terms of an account are unfavorably changed. The Fair Credit Reporting Act (FCRA) requires creditors that take adverse action against a consumer, such as denying an application for credit, to provide the consumer with certain disclosures if the action is based on a credit report provided by a consumer reporting agency or information obtained from a third party. Creditors have the option of including the FCRA disclosures with the notice of action taken required under Regulation B; appendix C to Regulation B provides model forms that combine the current FCRA and Equal Credit Opportunity Act disclosures.

The Economic Growth and Regulatory Paperwork Reduction Act of 1996 made extensive changes to the FCRA, including a requirement that additional disclosures be given to consumers who

are denied credit. In July 1997, the Board requested public comment on proposed changes to the FCRA portion of Regulation B's model forms C-1 through C-5 and to the general instructions for these forms (62 FR 37166, July 11, 1997). Following review of the public comments, the Board is expected to adopt final amended model forms within the next two months to ease compliance for creditors that choose to use the forms. The proposals are not expected to have a significant economic impact on small entities.

**Timetable:**

Action	Date	FR Cite
Board requested comment	07/11/97	62 FR 37166
Further Board action by	04/00/98	

**Small Entities Affected:** None

**Government Levels Affected:** None

**Agency Contact:** Jane Gell, Senior Attorney, Federal Reserve System, Division of Consumer and Community Affairs  
Phone: 202 452-3667

**RIN:** 7100-AC35

**4267. REGULATION: D—RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS (DOCKET NUMBERS: R-0929 AND R-0956)****Priority:** Substantive, Nonsignificant**Legal Authority:** 12 USC 248(a); 12 USC 248(c); 12 USC 371a; 12 USC 461; 12 USC 601; 12 USC 611; 12 USC 3105**CFR Citation:** 12 CFR 208**Legal Deadline:** None

**Abstract:** In June 1996, as part of its regulatory review process mandated by section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994, the Board approved issuing for public comment a proposal to amend Regulation D in order to reduce burden and simplify and update regulatory requirements (61 FR 30545, June 17, 1996). In general, the proposal would delete transitional rules relating to the expansion of reserve requirements to nonmember depository institutions, the authorization of NOW accounts nationwide, and other matters that no longer have a significant effect.

In December 1996, following review of the public comments, the Board adopted the revisions substantially as proposed (61 FR 69020, December 31, 1996).

FRS

Final Rule Stage

At the same time, the Board issued for public comment a proposed rule that would revise and clarify the definition of "savings deposit" consistent with comments received in connection with the Board's June proposal and would make conforming changes to the definition of "transaction account" (61 FR 96054, December 31, 1996). It is not expected that the proposal will have a significant adverse impact upon a substantial number of small entities. Following review of the public comments, the Board is expected to take further action within the next four months.

**Timetable:**

Action	Date	FR Cite
Board requested comment	06/17/96	61 FR 30545
Board adopted June 1996 proposal	12/31/96	61 FR 69020
Board requested comment on additional proposal	12/31/96	61 FR 69054
Further Board action by	07/00/98	

**Small Entities Affected:** None**Government Levels Affected:** None

**Agency Contact:** Rick Heyke, Staff Attorney, Federal Reserve System, Legal Division  
Phone: 202 452-3688

**RIN:** 7100-AC11

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**4268. • REGULATION: D—RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS (DOCKET NUMBER: R-0988)**
**Priority:** Substantive, Nonsignificant**Legal Authority:** 12 USC 461**CFR Citation:** 12 CFR 4**Legal Deadline:** None

**Abstract:** In November 1997, the Board approved issuing for public comment a proposal to move from the current system of contemporaneous reserve maintenance for institutions that are weekly reporters to a system under which reserves are maintained on a lagged basis by such institutions (62 FR 60671, November 12, 1997). Under a lagged maintenance system, the reserve maintenance period for a weekly reporter will begin 30 days after the beginning of a reserve computation period. Under the current system, the reserve maintenance period begins two days after the beginning of the computation period. The Board is

considering this action to improve the ability of the Federal Reserve to estimate accurately the need for reserves on a timely basis to ensure greater effectiveness of the Federal Reserve's open market operations.

The proposal will affect only those institutions that are weekly deposit reporters, which generally include depository institutions that have total deposits of \$75 million or greater, as these are the only institutions currently required to maintain contemporaneous reserves on a contemporaneous basis. For those institutions that are weekly reporters, the proposed amendments generally would simplify compliance with reserve requirements for these institutions. The proposal is not expected to have a significant economic impact on small institutions. Following review of the public comments, the Board is expected to take further action by mid-year.

**Timetable:**

Action	Date	FR Cite
Board requested comment	11/12/97	62 FR 60671
Further Board action by	06/00/98	

**Small Entities Affected:** None**Government Levels Affected:** None

**Agency Contact:** Oliver Ireland, Associate General Counsel, Federal Reserve System, Legal Division  
Phone: 202 452-3625

**RIN:** 7100-AC48

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**4269. REGULATION: E—ELECTRONIC FUND TRANSFERS (DOCKET NUMBER: R-0919)**
**Priority:** Substantive, Nonsignificant**Legal Authority:** 15 USC 1693 et seq**CFR Citation:** 12 CFR 205**Legal Deadline:** None

**Abstract:** In May 1996, the Board issued for public comment proposed amendments to Regulation E imposing modified requirements on stored-value products in systems that track individual transactions, cards, or consumers and providing an exemption for cards on which a maximum value of \$100 can be stored (61 FR 19696, May 2, 1996).

The Board also proposed extending the error resolution time limits for new accounts and permitting electronic communications to substitute generally

for oral or written disclosures, documentation, and notices required under Regulation E.

The proposals are part of the Board's overall review of its regulations as required by section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994. It is not expected that the proposals would have a significant economic impact on small institutions. Following review of the public comments, the Board is expected to take further action within the next two months on the proposals to extend the error-resolution time limits and to permit electronic communications to substitute for certain requirements under Regulation E. It is anticipated that the Board will take further action by year-end on the stored-value card amendment.

**Timetable:**

Action	Date	FR Cite
Board requested comment	05/02/96	61 FR 19696
Further Board action by	04/00/98	

**Small Entities Affected:** None**Government Levels Affected:** None

**Agency Contact:** John C. Wood, Senior Attorney, Federal Reserve System, Division of Consumer and Community Affairs  
Phone: 202 452-2412

**RIN:** 7100-AC06

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**4270. REGULATION: H—MEMBERSHIP OF STATE BANKING INSTITUTIONS IN THE FEDERAL RESERVE SYSTEM (DOCKET NUMBER: R-0950)**
**Priority:** Substantive, Nonsignificant

**Legal Authority:** 12 USC 36; 12 USC 248(a); 12 USC 248(c); 12 USC 321 to 338a; 12 USC 371d; 12 USC 461; 12 USC 481 to 486; 12 USC 601; 12 USC 611; 12 USC 1814; 12 USC 1818; 12 USC 1823(j); 12 USC 1828(o); 12 USC 1831o; 12 USC 1831p-1; ...

**CFR Citation:** 12 CFR 208**Legal Deadline:** None

**Abstract:** In December 1996, the Board, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency jointly published for comment a proposed regulation establishing a professional qualification program for banks that engage in retail recommendations and sales of certain securities using their

FRS

Final Rule Stage

own employees (61 FR 68824, December 30, 1996). The proposed regulation will establish qualification testing, registration, and continuing education requirements for bank employees that act in the capacity of bank securities representatives. The proposed requirements will be based on the professional qualification rules of the securities self-regulatory organizations. It is not anticipated that the proposal will have a significant economic impact on a substantial number of small banks.

Following review of the public comments and coordination with the other agencies, the Board is expected to take further action within the next two months.

**Timetable:**

Action	Date	FR Cite
Board requested comment	12/30/96	61 FR 68824
Further Board action by	04/00/98	

**Small Entities Affected:** None

**Government Levels Affected:** None

**Agency Contact:** Angela Desmond, Senior Counsel, Federal Reserve System, Division of Banking Supervision and Regulation  
Phone: 202 452-2781

**RIN:** 7100-AC14

#### 4271. REGULATION: H—MEMBERSHIP OF STATE BANKING INSTITUTIONS IN THE FEDERAL RESERVE SYSTEM (DOCKET NUMBER: R-0964)

**Priority:** Substantive, Nonsignificant

**Legal Authority:** 12 USC 24; 12 USC 36; 12 USC 248(a); 12 USC 248(c); 12 USC 321 to 338a; 12 USC 481 to 486; 12 USC 601; 12 USC 611; 12 USC 1814; 12 USC 1816; 12 USC 1818; 12 USC 1820(d)(9); 12 USC 1823(j); 12 USC 1828(o); 12 USC 1831(o); ...

**CFR Citation:** 12 CFR 208

**Legal Deadline:** None

**Abstract:** In March 1997, the Board issued for public comment proposed amendments to subpart A of Regulation H regarding the general provisions for membership in the Federal Reserve System and subpart E, Interpretations of Regulation H (62 FR 15272, March 31, 1997). The proposed amendments reduce regulatory burden and simplify and update requirements of Regulation H.

The amended subpart A of Regulation H will, when fully effective, replace the existing subpart A in its entirety; it will also eliminate several obsolete interpretations. Also, as part of the revisions, the Board is rescinding Regulation P, Security Procedures, and incorporating its provisions into Regulation H (Docket Number R-0965). The proposal to modernize subpart A of Regulation H is in accordance with the Board's review of regulations under section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994. Consistent with the objectives of the Regulatory Flexibility Act, it is expected that the proposed changes will reduce the time and costs associated with complying with Regulation H, thereby improving the ability of small organizations to conduct business on a more cost-efficient basis.

Following review of the public comments, the Board is expected to take further action within the next two months.

**Timetable:**

Action	Date	FR Cite
Board requested comment on Regulations H and P	03/31/97	62 FR 15272
Further Board action by	04/00/98	

**Small Entities Affected:** None

**Government Levels Affected:** None

**Agency Contact:** Jean Anderson, Staff Attorney, Federal Reserve System, Legal Division  
Phone: 202 452-3707

**RIN:** 7100-AC37

#### 4272. REGULATION: H—MEMBERSHIP OF STATE BANKING INSTITUTIONS IN THE FEDERAL RESERVE SYSTEM; REGULATION: Y—BANK HOLDING COMPANIES AND CHANGE IN BANK CONTROL (DOCKET NUMBER: R-0930)

**Priority:** Substantive, Nonsignificant

**Legal Authority:** 12 USC 36; 12 USC 248(a); 12 USC 248(c); 12 USC 321 to 338a; 12 USC 371d; 12 USC 461; 12 USC 481 to 486; 12 USC 601; 12 USC 611; 12 USC 1814; 12 USC 1823(j); 12 USC 1828(o); 12 USC 1831(o); 12 USC 1831p-1; 12 USC 3105; ...

**CFR Citation:** 12 CFR 208 app A

**Legal Deadline:** None

**Abstract:** In August 1996, the Board issued for public comment a proposal to revise the risk-based capital treatment for certain collateralized transactions (61 FR 42565, August 16, 1996). Under the Board's existing risk-based capital treatment, the portion of a transaction that is supported by qualifying collateral (that is, cash or OECD government securities) is risk-weighted at 20 percent. Transactions that are fully supported by collateral with a positive margin may be eligible for a zero percent risk weight. Generally, the proposal would permit a portion of a transaction that is fully supported with a positive margin of collateral to be eligible for a zero percent risk weight. The portion that is to be continuously collateralized must be specified by the parties.

This proposal was developed on an interagency basis and, if adopted, would eliminate one of the substantive differences among the agencies with regard to the risk-based capital treatment for collateralized transactions. It would implement part of the Riegle Community Development and Regulatory Improvement Act of 1994, which requires the agencies to make uniform regulations and guidelines implementing common supervisory policies. The effect of the proposal would be to allow institutions to hold less capital for certain collateralized transactions. It is not expected to have a significant economic impact on a substantial number of small entities.

Following review of the public comments, the Board is expected to take further action within the next four months.

**Timetable:**

Action	Date	FR Cite
Board requested comment	08/16/96	61 FR 42565
Further Board action by	06/00/98	

**Small Entities Affected:** None

**Government Levels Affected:** None

**Agency Contact:** Barbara Bouchard, Manager, Federal Reserve System, Division of Banking Supervision and Regulation  
Phone: 202 452-3072

**RIN:** 7100-AC13

FRS

Final Rule Stage

**4273. REGULATION: H—MEMBERSHIP OF STATE BANKING INSTITUTIONS IN THE FEDERAL RESERVE SYSTEM; AND REGULATION: Y—BANK HOLDING COMPANIES AND CHANGE IN BANK CONTROL (DOCKET NUMBER: R-0976)**

**Priority:** Substantive, Nonsignificant

**Legal Authority:** 12 USC 24; 12 USC 36; 12 USC 92(a); 12 USC 93(a); 12 USC 248(a); 12 USC 248(c); 12 USC 321 to 338a; 12 USC 371d; 12 USC 461; 12 USC 481 to 486; 12 USC 601; 12 USC 611; 12 USC 1814; 12 USC 1816; 12 USC 1818; ...

**CFR Citation:** 12 CFR 208; 12 CFR 225

**Legal Deadline:** None

**Abstract:** In July 1997, the Board approved issuing for public comment a proposal to revise the risk-based and Tier 1 leverage capital adequacy guidelines for State member banks and bank holding companies to address the treatment of servicing assets on both mortgage assets and financial assets other than mortgages (non-mortgages) (62 FR 42006, August 4, 1997). The proposed rule was developed in response to a recent Financial Accounting Standards Board accounting standard that affects servicing assets; that is, Statement of Financial Accounting Standards No. 125, "Accounting For Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" issued in June 1996. Under this proposed rule, the limitation on the amount of mortgage servicing assets (and purchased credit card relationships) that can be recognized as a percent of Tier 1 capital would be increased from 50 to 100 percent. Also, all non-mortgage servicing assets would be fully deducted from Tier 1 capital. This proposal is a joint proposal of the Board, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision.

It is not anticipated that the proposal will have a significant economic impact on a substantial number of small entities subject to the Board's regulation. Following review of the public comments, the Board and the other banking agencies are expected to take further action by mid-year.

**Timetable:**

Action	Date	FR Cite
Board requested comment	08/04/97	62 FR 42006
Further Board action by	06/00/98	

**Small Entities Affected:** None

**Government Levels Affected:** None

**Agency Contact:** Arleen Lustig, Supervisory Financial Analyst, Federal Reserve System, Division of Banking Supervision and Regulation  
Phone: 202 452-2987

**RIN:** 7100-AC38

**4274. REGULATION: H—MEMBERSHIP OF STATE BANKING INSTITUTIONS IN THE FEDERAL RESERVE SYSTEM; AND REGULATION: Y—BANK HOLDING COMPANIES AND CHANGE IN BANK CONTROL (DOCKET NUMBER: R-0985)**

**Priority:** Substantive, Nonsignificant

**Legal Authority:** 12 USC 36; 12 USC 248(a); 12 USC 248(c); 12 USC 321 to 338; 12 USC 371d; 12 USC 461; 12 USC 481 to 486; 12 USC 601; 12 USC 611; 12 USC 1814; 12 USC 1817(j)(13); 12 USC 1818; 12 USC 1823(j); 12 USC 1828(o); 12 USC 1831i

**CFR Citation:** 12 CFR 208 app A; 12 CFR 225 app A

**Legal Deadline:** None

**Abstract:** In May 1994, the Board issued for public comment two proposals on the capital treatment of recourse arrangements and direct credit substitutes. The first proposal: (1) formally defines recourse and direct credit substitutes; (2) reduces the risk-based capital charge for low-level recourse arrangements to the maximum amount of possible loss under the recourse obligation up to the effective capital charge; and (3) requires the same risk-based capital charge for first-loss direct credit substitutes as is currently applied to recourse transactions (59 FR 27115, May 25, 1994). The second proposal, an advance notice of proposed rulemaking, sought public comment on an approach to assessing risk-based capital on banking organizations' risk exposures associated with certain asset securitizations. Under this approach, the capital charge would be based upon the relative risk of loss.

Subsequent to the issuance of this proposal, the Board issued a regulation

limiting the amount of risk-based capital an insured depository institution is required to hold for assets transferred with recourse to the maximum amount of recourse for which the institution is contractually liable (60 FR 8177, February 13, 1995).

In November 1997, the Board requested public comment on a revised proposal that sets forth the definitions and capital treatments discussed above (62 FR 59944, November 5, 1997). In addition, the proposal requests comment on several alternative approaches to assessing capital against asset securitizations including the use of internal bank information.

Small entities would be affected by the final rule and the two proposals only to the extent that they engage in extending recourse arrangements and direct credit substitutes or purchasing asset-backed securities. It is not expected that the proposals will have a significant economic impact on small institutions. Following review of the public comments, the Board is expected to take further action within the next four months.

**Timetable:**

Action	Date	FR Cite
Board requested comment	05/25/94	59 FR 27115
Board adopted one aspect of the proposal	02/13/95	60 FR 8177
Board requested comment	11/05/97	62 FR 59944
Further Board action by	07/00/98	

**Small Entities Affected:** None

**Government Levels Affected:** None

**Agency Contact:** Thomas R. Boemio, Senior Supervisory Financial Analyst, Federal Reserve System, Division of Banking Supervision and Regulation  
Phone: 202 452-2982

**RIN:** 7100-AB77

**4275. REGULATION: H—MEMBERSHIP OF STATE BANKING INSTITUTIONS IN THE FEDERAL RESERVE SYSTEM; AND REGULATION: Y—BANK HOLDING COMPANIES AND CHANGE IN BANK CONTROL (DOCKET NO: R-0947 & R-0948)**

**Priority:** Substantive, Nonsignificant

**Legal Authority:** 12 USC 36; 12 USC 248(a); 12 USC 248(c); 12 USC 321 to 338a; 12 USC 371d; 12 USC 461; 12

## FRS

## Final Rule Stage

USC 481 to 486; 12 USC 601; 12 USC 611; 12 USC 1814; 12 USC 1816; 12 USC 1818; 12 USC 1823(j); 12 USC 1828(o); 12 USC 1831o; ...

**CFR Citation:** 12 CFR 208 app A; 12 CFR 208 app B; 12 CFR 225 app A; 12 CFR 225 app D

**Legal Deadline:** None

**Abstract:** In October 1997, the Board issued for public comment proposals to revise the Federal Reserve's risk-based capital treatment for junior liens on 1- to 4-family residential properties and for investments in mutual funds (62 FR 55686, October 27, 1997). The proposals also simplify the Federal Reserve's leverage capital guidelines for banks and make the leverage capital guidelines for bank holding companies consistent with the definition of a well-capitalized bank holding company.

The proposals were issued on an interagency basis as part of the efforts under section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994 to make interagency guidelines uniform. Following review of the public comments, the agencies expect to issue final amendments by mid-year. The proposed changes will not have a significant economic impact on a substantial number of small entities subject to the Board's regulation.

**Timetable:**

Action	Date	FR Cite
Board requested comment	10/27/97	62 FR 55686
Further Board action by	06/00/98	

**Small Entities Affected:** None

**Government Levels Affected:** None

**Agency Contact:** Barbara Bouchard, Manager, Federal Reserve System, Division of Banking Supervision and Regulation  
Phone: 202 452-3072

**RIN:** 7100-AC29

**4276. REGULATION: H—MEMBERSHIP OF STATE BANKING INSTITUTIONS IN THE FEDERAL RESERVE SYSTEM; AND REGULATION: Y—BANK HOLDING COMPANIES AND CHANGE IN BANK CONTROL (DOCKET NUMBER: R-0982)**

**Priority:** Substantive, Nonsignificant

**Legal Authority:** 12 USC 36; 12 USC 248(a); 12 USC 248(c); 12 USC 321 to

338a; 12 USC 371d; 12 USC 461; 12 USC 481 to 486; 12 USC 601; 12 USC 611; 12 USC 1814; 12 USC 1816; 12 USC 1818; 12 USC 1823(j); 12 USC 1828(o); 12 USC 1831o; ...

**CFR Citation:** 12 CFR 208 app A; 12 CFR 225 app A

**Legal Deadline:** None

**Abstract:** In October 1997, as part of a joint interagency proposal, the Board requested public comment on revisions to the Federal Reserve's risk-based capital guidelines to permit certain revaluation gains on equity securities in Tier 2 capital (62 FR 55682, October 27, 1997). Under the proposal an institution would be permitted to include in Tier 2 capital up to 45 percent of its unrealized revaluation gains on prudently valued equity securities. This treatment is consistent with the Basel Accord.

Following review of the public comments, the Board is expected to take further action by mid-year. It is not expected that the proposal, if adopted as a final rule, would have a significant economic impact on a substantial number of small entities subject to the Board's regulation.

**Timetable:**

Action	Date	FR Cite
Board requested comment	10/27/97	62 FR 55682
Further Board action by	06/00/98	

**Small Entities Affected:** None

**Government Levels Affected:** None

**Agency Contact:** Barbara Bouchard, Manager, Federal Reserve System, Division of Banking Supervision and Regulation  
Phone: 202 452-3072

**RIN:** 7100-AC39

**4277. REGULATION: I—ISSUE AND CANCELLATION OF CAPITAL STOCK OF FEDERAL RESERVE BANKS (DOCKET NUMBER: R-0966)**

**Priority:** Substantive, Nonsignificant

**Legal Authority:** 12 USC 222; 12 USC 282; 12 USC 286 to 288; 12 USC 321; 12 USC 323; 12 USC 327 to 328; 12 USC 333

**CFR Citation:** 12 CFR 209

**Legal Deadline:** None

**Abstract:** In March 1997, the Board issued for public comment proposed

amendments to Regulation I to reduce regulatory burden and simplify and update the regulation (62 FR 15297, March 31, 1997). The proposals are a part of the Board's overall review of its regulations under section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994. In general, the amendments condense the regulation and reflect the replacement of share certificates by a book-entry system. The proposal also codifies Board and staff interpretations. Finally, the amendments delete references to specific obsolete forms or forms which no longer have the same identification numbers.

The proposal would apply to all Federal Reserve Banks and member banks regardless of size and, as consistent with the objectives of the Regulatory Flexibility Act, would be burden-reducing. Therefore, the proposal would not have a significant adverse economic impact on a substantial number of small entities. Following review of the public comments, the Board is expected to take further action within the next two months.

**Timetable:**

Action	Date	FR Cite
Board requested comment	03/31/97	62 FR 15297
Further Board action by	04/00/98	

**Small Entities Affected:** None

**Government Levels Affected:** None

**Agency Contact:** Rick Heyke, Staff Attorney, Federal Reserve System, Legal Division  
Phone: 202 452-3688

**RIN:** 7100-AC40

**4278. • REGULATION: K—INTERNATIONAL BANKING OPERATIONS (DOCKET NUMBER: R-0994)**

**Priority:** Substantive, Nonsignificant

**Legal Authority:** 12 USC 221 et seq; 12 USC 248(i); 12 USC 248(k); 12 USC 1818; 12 USC 1835a; 12 USC 1841 et seq; 12 USC 3101 et seq; 12 USC 3109 et seq

**CFR Citation:** 12 CFR 211

**Legal Deadline:** None

**Abstract:** In December 1997, consistent with section 303 of the Riegle Community Development and

FRS

Final Rule Stage

Regulatory Improvement Act of 1994 and the International Banking Act of 1978, the Board reviewed and proposed for public comment a number of changes to Regulation K, which governs international banking operations (62 FR 68424, December 31, 1997). Subpart A of Regulation K governs the foreign investments and activities of all member banks. The proposed amendments include streamlined foreign branching procedures for U.S. banking organizations, authorization of expanded activities in foreign branches of U.S. banks, and expansion of the authority of U.S. banking organizations to engage in equity dealing and underwriting and to make venture capital investments outside the United States. Subpart B of Regulation K governs the U.S. activities of foreign banking organizations. The proposed amendments include revisions aimed at streamlining the applications procedures applicable to foreign banks seeking to expand operations in the United States, changes to provisions regarding the qualification of certain foreign banking organizations for exemption from the nonbanking prohibitions of section 4 of the Bank Holding Company Act, and implementation of provisions of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 that affect foreign banks. In addition, a number of technical and clarifying amendments to subparts A and B, as well as subpart C that govern export trading companies, and certain amendments to the Board's Rules Regarding Delegation of Authority have been proposed.

The proposed amendments are not expected to have a significant economic impact on a substantial number of small entities. Following review of the public comments, the Board is expected to take further action within the next six months.

**Timetable:**

Action	Date	FR Cite
Board requested comment	12/31/97	62 FR 68424
Further Board action by	08/00/98	

**Small Entities Affected:** None

**Government Levels Affected:** None

**Agency Contact:** Kathleen M. O'Day, Associate General Counsel, Federal Reserve System, Legal Division

Phone: 202 452-3786

**RIN:** 7100-AC47

**4279. • REGULATION: Y—BANK HOLDING COMPANIES AND CHANGE IN BANK CONTROL (DOCKET NUMBER: R-0990)**

**Priority:** Substantive, Nonsignificant

**Legal Authority:** 12 USC 1817(j)(13); 12 USC 1818; 12 USC 1828o; 12 USC 1831i; 12 USC 1831p-1; 12 USC 1843(c)(8); 12 USC 1844(b); 12 USC 1972(1); 12 USC 3106; 12 USC 3108; 12 USC 3310; 12 USC 3331 to 3351; 12 USC 3907; 12 USC 3909

**CFR Citation:** 12 CFR 225

**Legal Deadline:** None

**Abstract:** In December 1997, the Board approved issuing for public comment a proposal to exempt any transaction involving the underwriting or dealing of mortgage-backed securities from the Board's appraisal requirements (62 FR 64997, December 9, 1997). This amendment would permit a nonbank subsidiary of a bank holding company engaged in underwriting and dealing in securities (a so-called section 20 subsidiary) to underwrite and deal in mortgage-backed securities without demonstrating that the loans underlying the securities are supported by appraisals that meet the Board's appraisal requirements. As the proposal notes, the Board believes the public rating or due diligence that the market requires for mortgage-backed securities provides information that is at least as sufficient for assessing risks as new appraisals for the underlying loans. The Board proposed this amendment to address concerns raised by bank holding companies regarding the inability of section 20 subsidiaries to actively participate in the commercial mortgage-backed securities market due to the appraisal restrictions of subpart G.

It is not anticipated that the proposal will have a significant economic impact on a substantial number of small entities subject to the Board's regulation. Following review of the public comments, the Board is expected to take further action within the next three months.

**Timetable:**

Action	Date	FR Cite
Board requested comment	12/09/97	62 FR 64997
Further action by	05/00/98	

**Small Entities Affected:** None

**Government Levels Affected:** None

**Agency Contact:** Deneen Donnley-Evans, Attorney, Federal Reserve System, Legal Division  
Phone: 202 736-5567

**RIN:** 7100-AC49

**4280. REGULATION: DD—TRUTH IN SAVINGS (DOCKET NUMBERS: R-0836 AND R-0869)**

**Priority:** Substantive, Nonsignificant

**Legal Authority:** 12 USC 4301 et seq

**CFR Citation:** 12 CFR 230

**Legal Deadline:** None

**Abstract:** Sections 261 to 275 of the Federal Deposit Insurance Corporation Improvement Act of 1991 require depository institutions to provide a schedule of terms, rates, and fees for deposit accounts offered by the institution. The law also sets forth rules for advertisements for deposit accounts.

In January 1995, the Board issued for public comment proposed amendments to Regulation DD that would produce an annual percentage yield (APY) that reflects the timing of interest payments as well as the timing of compounding. The proposal also solicits comment on an alternative method of calculating the APY (an internal rate of return formula) (60 FR 5142, January 26, 1995). The January 1995 proposal is an outgrowth of a May 1994 proposal that would have affected institutions' compounding and crediting practices in addition to changing the APY (59 FR 24378, May 11, 1994). The Board also adopted in January 1995 an interim rule that permits institutions and deposit brokers advertising noncompounding multiyear time accounts that require interest payouts at least annually to disclose an APY equal to the interest rate (60 FR 5128, January 26, 1995; Docket Number R-0836). Public comment on the approach was solicited in a July 1994 notice extending the comment period for the May 1994 proposal (59 FR 35271, July 11, 1994). The economic impact on small institutions will depend upon the variety of deposit products offered, the

## FRS

## Final Rule Stage

extent of the disclosures, and the options for compliance offered by the final rule.

Staff has reviewed the public comments and is expected to forward the matter to the Board within the next two months.

**Timetable:**

Action	Date	FR Cite
Board requested comment	05/11/94	59 FR 24378
Board extended comment period	07/11/94	59 FR 35271
Board adopted an interim rule	01/26/95	60 FR 5128
Board requested further comment	01/26/95	60 FR 5142
Further Board action by	04/00/98	

**Small Entities Affected:** Businesses

**Government Levels Affected:** None

**Agency Contact:** Jane Ahrens, Senior Attorney, Federal Reserve System, Division of Consumer and Community Affairs

Phone: 202 452-3667

**RIN:** 7100-AB80

**4281. • POLICY STATEMENT ON PRIVATELY OPERATED MULTILATERAL SETTLEMENT SYSTEMS (DOCKET NUMBER: R-0987)**

**Priority:** Substantive, Nonsignificant

**Legal Authority:** 12 USC 221 et seq

**CFR Citation:** None

**Legal Deadline:** None

**Abstract:** In November 1997, the Board approved requesting comment on a proposed policy statement on privately operated multilateral settlement systems to integrate current policy statements and new provisions (62 FR 60713, November 12, 1997). The policy would require privately operated multilateral settlement systems for U.S. dollar payments to address material credit, liquidity, operational, legal, and systemic risks, thereby enhancing the safety and soundness of the payments system.

The proposal was designed to minimize regulatory burden on small arrangements that do not raise material risks and would not have a significant economic impact on a substantial number of small entities. Following review of the public comments, the Board is expected to take further action within the next four months.

**Timetable:**

Action	Date	FR Cite
Board requested comment	11/12/97	62 FR 60713
Further Board action by	07/00/98	

**Small Entities Affected:** None

**Government Levels Affected:** None

**Agency Contact:** Paul Bettge, Assistant Director, Federal Reserve System, Division of Reserve Bank Operations and Payment Systems  
Phone: 202 452-3174

**RIN:** 7100-AC44

**4282. RULES REGARDING AVAILABILITY OF INFORMATION (DOCKET NUMBER: R-0917)**

**Priority:** Substantive, Nonsignificant

**Legal Authority:** 5 USC 552; 12 USC 248(j); 12 USC 248(k); 12 USC 321 et seq; 12 USC 611 et seq; 12 USC 1442; 12 USC 1817(a)(2)(A); 12 USC 1817(a)(8); 12 USC 1818(u); 12 USC 1818(v); 12 USC 1821(o); 12 USC 1821(t); 12 USC 1830; 12 USC 1844; 12 USC 1951 et seq; ...

**CFR Citation:** 12 CFR 261

**Legal Deadline:** None

**Abstract:** In February 1996, the Board issued for public comment proposed amendments to its Rules Regarding Availability of Information (61 FR 7436, February 28, 1996). The proposed amendments, although primarily technical in nature, are intended to improve the Board's efficiency in processing requests for the disclosure of publicly available information as well as confidential supervisory information. It is not anticipated that the proposed amendments will have a significant economic impact on a substantial number of small entities subject to the regulation.

In light of the passage of time since the Board's February 1996 proposal was issued for public comment, the Board will make changes in that proposal based on the comments received and will reissue revised proposed amendments for further comment. The February 1996 proposal deals primarily with the discretionary authority of the Board's General Counsel to produce information. These amendments are part of the Board's overall review of its regulations as required by section 303 of the Riegle Community

Development and Regulatory Improvement Act of 1994. Further Board action on the remainder of the regulation is expected by mid-year.

In a separate action, the Board recently implemented amendments to those subparts of the Board's Rules Regarding Availability of Information that implement the Freedom of Information Act and the Electronic Freedom of Information Act Amendments of 1996 (62 FR 54356, October 20, 1997).

**Timetable:**

Action	Date	FR Cite
Board requested comment	02/28/96	61 FR 7436
Further Board action by	06/00/98	

**Small Entities Affected:** None

**Government Levels Affected:** None

**Agency Contact:** Karen Appelbaum, Attorney, Federal Reserve System, Legal Division  
Phone: 202 452-3389

**RIN:** 7100-AC22

**4283. APPLICABILITY OF SECTIONS 23A AND 23B OF THE FEDERAL RESERVE ACT TO TRANSACTIONS BETWEEN A MEMBER BANK AND ITS SUBSIDIARIES (DOCKET NUMBER: R-0977)**

**Priority:** Substantive, Nonsignificant

**Legal Authority:** 12 USC 371c(b)(1)(E)

**CFR Citation:** 12 CFR 250.243

**Legal Deadline:** None

**Abstract:** Sections 23A and 23B of the Federal Reserve Act restrict the ability of a member bank to fund an affiliate through direct investment, loans, or other transactions. In July 1997, the Board issued for public comment a proposal to apply sections 23A and 23B to transactions between a member bank and any subsidiary that engages in activities that are impermissible for the bank itself and that Congress has not previously exempted from coverage by section 23A (62 FR 37744, July 15, 1997). The proposed treatment is largely consistent with the existing treatment of these subsidiaries by the other banking agencies, which have applied sections 23A and 23B in some form to transactions between a bank and such subsidiaries. The issuance of the regulations will avoid the application of sections 23A and 23B on an ad hoc basis by different agencies,

## FRS

## Final Rule Stage

which could result in confusion and inconsistencies.

The proposal is not expected to have a significant economic impact on a substantial number of small businesses. Following review of the public comments, the Board is expected to take further action within the next two months.

**Timetable:**

Action	Date	FR Cite
Board requested comment	07/15/97	62 FR 37744
Further Board action by	04/00/98	

**Small Entities Affected:** None

**Government Levels Affected:** State, Federal

**Agency Contact:** Pamela G. Nardolilli, Senior Attorney, Federal Reserve System, Legal Division  
Phone: 202 452-3289

**RIN:** 7100-AC42

## FEDERAL RESERVE SYSTEM (FRS)

## Completed Actions

**4284. REGULATION: B—EQUAL CREDIT OPPORTUNITY (DOCKET NUMBER: R-0955)**

**Priority:** Substantive, Nonsignificant

**Legal Authority:** 15 USC 1691 to 1691f  
**CFR Citation:** 12 CFR 202

**Legal Deadline:** Final, Statutory, March 31, 1997.

**Abstract:** Section 2302 of the Economic Growth and Regulatory Paperwork Reduction Act of 1996 (1996 Act) creates a legal privilege for information developed by creditors through "self-tests" conducted to determine the level or effectiveness of creditor compliance with the Equal Credit Opportunity Act (ECOA), provided that appropriate corrective action is taken to address any possible violations that may be discovered. Privileged information may not be obtained by a Government agency for use in an examination or investigation relating to fair lending compliance or by a Government agency or credit applicant in any civil proceeding in which a violation of the ECOA is alleged.

In January 1997, the Board issued for public comment regulations, including a definition of what constitutes a "self-test" (62 FR 56, January 2, 1997). The proposed regulations would define a "self-test" as any program, practice, or study that creates data or factual information about the creditor's compliance with the ECOA that is not available or derived from loan files or other records related to credit transactions. This includes but is not limited to the practice of using fictitious loan applicants (testers).

In December 1997, following review of the public comments, the Board adopted final revisions to Regulation B substantially as proposed (62 FR 66412, December 18, 1997). However, the language of the final rule was modified

to apply to self-testing for compliance with any ECOA requirement as implemented by Regulation B. The proposal is not expected to have a significant economic impact on small institutions.

The 1996 Act also establishes a privilege for creditor self-testing under the Fair Housing Act which is administered by the Department of Housing and Urban Development (HUD). As directed by the 1996 Act, the Board and HUD have issued substantially similar regulations.

**Timetable:**

Action	Date	FR Cite
Board requested comment	01/02/97	62 FR 56
Board adopted proposal	12/18/97	62 FR 66412

**Small Entities Affected:** None

**Government Levels Affected:** State, Federal

**Agency Contact:** James A. Michaels, Senior Attorney, Federal Reserve System, Division of Consumer and Community Affairs  
Phone: 202 452-3667

**RIN:** 7100-AC23

**4285. REGULATION: D—RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS (DOCKET NUMBER: R-0980)**

**Priority:** Substantive, Nonsignificant

**Legal Authority:** 12 USC 248(a); 12 USC 248(c); 12 USC 371a; 12 USC 461; 12 USC 601; 12 USC 611; 12 USC 3105

**CFR Citation:** 12 CFR 204

**Legal Deadline:** None

**Abstract:** In August 1997, the Board approved issuing for public comment proposed amendments to Regulation D to allow U.S. branches and agencies of

foreign banks and Edge and Agreement corporations to choose whether to aggregate reserves on a nationwide basis in a single account at one Reserve Bank or to continue the current practice of having separate accounts on a same-State/same-District basis (62 FR 42708, August 8, 1997). The amendments would also update and clarify the pass-through account rules in Regulation D for all institutions. These amendments would facilitate interstate banking and eliminate certain restrictions applicable to pass-through accounts.

Following review of the public comments, the Board adopted a revised version of its proposal (62 FR 59775, November 5, 1997). Under the final rule, U.S. agencies and branches of foreign banks and Edge and Agreement Corporations will have a choice on how to aggregate reserve balances, but all institutions, including domestic banks, will continue to file reports of deposits and other reports at their local Federal Reserve Banks. The amendments will not have a significant economic impact on a substantial number of small entities.

**Timetable:**

Action	Date	FR Cite
Board requested comment	08/08/97	62 FR 42708
Board adopted final rule	11/05/97	62 FR 59775

**Small Entities Affected:** None

**Government Levels Affected:** None

**Agency Contact:** Stephanie Martin, Senior Attorney, Federal Reserve System, Legal Division  
Phone: 202 452-3198

**RIN:** 7100-AC36

## FRS

## Completed Actions

**4286. REGULATION: G—SECURITIES CREDIT BY PERSONS OTHER THAN BANKS, BROKERS, OR DEALERS; REGULATION: T—CREDIT BY BROKERS AND DEALERS; REGULATION: U—CREDIT BY BANKS (DOCKET NUMBER: R-0923)****Priority:** Substantive, Nonsignificant**Legal Authority:** 15 USC 78g Securities Exchange Act of 1934, as amended; 15 USC 78w Securities Exchange Act of 1934, as amended**CFR Citation:** 12 CFR 207; 12 CFR 220; 12 CFR 221**Legal Deadline:** None

**Abstract:** The Board is conducting a periodic review of its margin regulations. In May 1996, the Board approved requesting comment on amendments that would allow broker-dealers to extend good-faith credit on any non-equity security; allow transactions involving non-equity securities to be effected in an account not subject to the restrictions of Regulation T's margin account; remove restrictions on the ability of broker-dealers to calculate required margin for non-equity securities on a "portfolio" basis; relax the Board's collateral requirements for the borrowing and lending of securities; and exempt from Regulation T any credit extended abroad by a U.S. broker-dealer on foreign securities to foreign persons (61 FR 20399, May 6, 1996). The proposal also sought comment on whether the Board should expand the number of equity securities eligible for loan value under Regulation T and whether the Board should amend Regulations G and U to modify their method for determining which equity securities qualify as margin stock.

In December 1997, following review of the public comments, the Board took final action on this proposal (63 FR 2806, January 16, 1998). The amendments were adopted substantially as proposed with the exception of the borrowing and lending securities under Regulation T and loan value for equity securities under Regulations G, T, and U. The Board amended Regulation T to eliminate the collateral requirements for the borrowing and lending securities and expanded the number of equity securities eligible for loan value to include all securities listed on the NASDAQ Stock Market. The Board amended Regulations G and U to

provide that the only over-the-counter stocks that meet the definition of margin stock are those that trade in the NASDAQ Stock Market's National Market System. The amendments will allow the Board to cease publication of its quarterly "List of Marginable OTC Stocks" in 1999. The amendments will not have a significant economic impact on a substantial number of small lenders.

**Timetable:**

Action	Date	FR Cite
Board requested comment	05/06/96	61 FR 20399
Board adopted proposal	01/16/98	63 FR 2806

**Small Entities Affected:** None**Government Levels Affected:** None**Agency Contact:** Scott Holz, Senior Attorney, Federal Reserve System, Legal Division  
Phone: 202 452-2966**RIN:** 7100-AC12**4287. REGULATION: G—SECURITIES CREDIT BY PERSONS OTHER THAN BANKS, BROKERS, OR DEALERS; REGULATION: T—CREDIT BY BROKERS AND DEALERS; REGULATION: U—CREDIT BY BANKS (DOCKET NUMBER R-0944)****Priority:** Substantive, Nonsignificant**Legal Authority:** 15 USC 78g Securities Exchange Act of 1934, as amended; 15 USC 78w Securities Exchange Act of 1934, as amended**CFR Citation:** 12 CFR 207; 12 CFR 220; 12 CFR 221**Legal Deadline:** None

**Abstract:** In November 1996, the Board requested public comment on amendments to Regulations G, T, and U to implement the National Securities Markets Improvement Act of 1996 (NSMIA) (61 FR 60168, November 26, 1996). NSMIA repealed section 8(a) of the Securities Exchange Act of 1934, and the proposed amendments would delete provisions of the regulations that implement section 8(a). The Board also sought comment on whether the repeal of section 8(a) eliminated the need for the Board to maintain two separate regulations (Regulations G and U) for lenders other than broker-dealers. NSMIA also deregulated lending to certain broker-dealers. The proposed amendments would eliminate some

provisions covering loans to certain broker-dealers and sought comment on whether and how the Board could provide additional clarification as to which broker-dealers are covered by this statutory deregulation.

In December 1997, following review of the public comments, the Board took final action on this proposal (63 FR 2806, January 16, 1998). The amendments concerning the repeal of section 8(a) of the Securities Exchange Act of 1934 were adopted substantially as proposed, and the Board amended Regulation U to cover lenders formerly subject to Regulation G, thereby eliminating Regulation G. The Board adopted several nonexclusive "safe harbors" to help identify which broker-dealers qualify for the deregulatory treatments specified in NSMIA. The Board also adopted technical amendments to Regulation X to reflect the elimination of Regulation G. The amendments will not have a significant economic impact on a significant number of small lenders.

**Timetable:**

Action	Date	FR Cite
Board requested comment	11/26/96	61 FR 60168
Board adopted proposal	01/16/98	63 FR 2806

**Small Entities Affected:** None**Government Levels Affected:** None**Agency Contact:** Scott Holz, Senior Attorney, Federal Reserve System, Legal Division  
Phone: 202 452-2966**RIN:** 7100-AC27**4288. REGULATION: H—MEMBERSHIP OF STATE BANKING INSTITUTIONS IN THE FEDERAL RESERVE SYSTEM; AND REGULATION: K—INTERNATIONAL BANKING OPERATIONS (DOCKET NUMBER: R-0962)****Priority:** Substantive, Nonsignificant**Legal Authority:** 12 USC 1835a**CFR Citation:** 12 CFR 208; 12 CFR 211**Legal Deadline:** Final, Statutory, June 1, 1997.

**Abstract:** Section 109 of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 requires the Federal banking agencies to prescribe uniform regulations to prohibit an out-of-state bank from using the authority

## FRS

## Completed Actions

provided by the act to engage in interstate branching primarily for the purpose of deposit production. In March 1997, the Board issued for public comment a proposed rule to implement section 109 jointly with the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency (62 FR 12730, March 17, 1997). The proposed rules would prohibit the use of interstate branches for deposit production and provide guidelines for determining whether a bank is reasonably helping to meet the needs of the communities served by interstate branches.

Following review of the public comments, the Board adopted the proposal substantially as proposed (62 FR 47728, September 10, 1997). It is not anticipated that the final rule will have a significant economic impact on a substantial number of small entities subject to regulation by the Board, as the rule affects only banks that have branches in more than one State, which are primarily larger banks.

**Timetable:**

Action	Date	FR Cite
Board requested comment	03/17/97	62 FR 12730
Board adopted proposal	09/10/97	62 FR 47728

**Small Entities Affected:** None

**Government Levels Affected:** None

**Agency Contact:** Robert D. Frierson, Assistant General Counsel, Federal Reserve System, Legal Division  
Phone: 202 452-3711

**RIN:** 7100-AC28

**4289. REGULATION: H—MEMBERSHIP OF STATE BANKING INSTITUTIONS IN THE FEDERAL RESERVE SYSTEM; AND REGULATION: Y—BANK HOLDING COMPANIES AND CHANGE IN BANK CONTROL**

**Priority:** Substantive, Nonsignificant

**Legal Authority:** 12 USC 1831n; 12 USC 1833d

**CFR Citation:** 12 CFR 208; 12 CFR 225

**Legal Deadline:** Final, Statutory, December 19, 1992.

**Abstract:** During 1992 and 1993, the Board's staff consulted with the other Federal banking agencies regarding the implementation of section 121, the bank accounting requirements, of the Federal Deposit Insurance Corporation

Improvement Act of 1991 (FDICIA). These requirements include the implementation of disclosures of the fair-market value of assets, liabilities, and certain projects, which may result in the revision of reporting requirements for banks and bank holding companies. The accounting provisions of the Act do not include exemptions for small institutions. Thus, any changes to regulations and reporting requirements would likely affect smaller State member banks.

The Federal Financial Institutions Examination Council (FFIEC) requested public comment on proposed reporting requirements, and the comment period expired on June 14, 1993. Furthermore, the FFIEC proposed on March 9, 1994, new Call Report items for derivative instruments, including new information on their market values. The comment period for this proposal expired on May 9, 1994, and the FFIEC included new information about market values of derivative instruments in its Call Report requirements for March 1995. Market value information about on- and off-balance-sheet financial instruments is also reported in the banks' annual financial statements filed with the Board and the other Federal banking agencies pursuant to FDICIA section 112 (section 36 of the FDI Act).

Further action to implement section 121 is not expected by the Board.

**Timetable:**

Action	Date	FR Cite
Further action is not expected	02/20/98	

**Small Entities Affected:** None

**Government Levels Affected:** None

**Agency Contact:** Gerald A. Edwards, Jr., Deputy Associate Director, Federal Reserve System, Division of Banking Supervision and Regulation  
Phone: 202 452-2741

**RIN:** 7100-AB41

**4290. REGULATION: J—COLLECTION OF CHECKS AND OTHER ITEMS BY FEDERAL RESERVE BANKS AND FUNDS TRANSFERS THROUGH FEDWIRE (DOCKET NUMBER: R-0972)**

**Priority:** Substantive, Nonsignificant

**Legal Authority:** 12 USC 248(i); 12 USC 248(j); 12 USC 248(o); 12 USC 342; 12 USC 360; 12 USC 464; 12 USC 4001 to 4010

**CFR Citation:** 12 CFR 210

**Legal Deadline:** None

**Abstract:** Effective January 2, 1998, the Federal Reserve Banks will begin to implement a policy under which each chartered depository institution may maintain only a single account with the Federal Reserve. A single account will establish a single debtor-creditor relationship between each institution and a Federal Reserve Bank and will make account management more efficient for banks with interstate branches. In May 1997, the Board issued for public comment proposed amendments to subpart A of Regulation J to conform the Federal Reserve check collection rules to the single account structure (62 FR 27547, May 20, 1997). In September 1997, following review of the public comments, the Board adopted the amendments substantially as proposed (62 FR 48166, September 15, 1997). Under the final Regulation J amendments, all of an institution's check collection transactions through the Federal Reserve Banks will be reflected in a single account held at the institution's Administrative Reserve Bank. The Regulation J amendments will generally permit an institution to send an item to any Reserve Bank for collection.

The amendments will apply to all institutions, regardless of size, that send checks, returned checks, or other items to a Reserve Bank or receive items from a Reserve Bank. The final rule sets out the terms under which the Reserve Banks handle items and should not have a significant economic impact on a substantial number of small institutions.

**Timetable:**

Action	Date	FR Cite
Board requested comment	05/20/97	62 FR 27547
Board adopted final rule	09/15/97	62 FR 48166

**Small Entities Affected:** None

**Government Levels Affected:** None

**Agency Contact:** Stephanie Martin, Senior Attorney, Federal Reserve System, Legal Division  
Phone: 202 452-3198

**RIN:** 7100-AC41

## FRS

## Completed Actions

**4291. REGULATION: U—CREDIT BY BANKS FOR THE PURPOSE OF PURCHASING OR CARRYING MARGIN STOCKS (DOCKET NUMBER: R-0905) (SECTION 610 REVIEW)****Priority:** Substantive, Nonsignificant**Legal Authority:** 15 USC 78g Securities Exchange Act of 1934, as amended; 15 USC 78h Securities Exchange Act of 1934, as amended; 15 USC 78w Securities Exchange Act of 1934, as amended**CFR Citation:** 12 CFR 221**Legal Deadline:** None

**Abstract:** The Board is conducting a periodic review of Regulation U, which generally regulates bank extensions of credit that are secured by publicly traded stock. In December 1995, the Board proposed amendments for public comment that would reduce the regulatory burden associated with loans secured by margin stock and other collateral; clarify the circumstances under which a bank may finance the purchase of customer securities bought on a cash basis at a broker-dealer; and allow the same loan value for exchange-traded options currently permitted for other margin equity securities (60 FR 63660, December 12, 1995). Comment was also invited on all other areas of the regulation. The proposals satisfy requirements under section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994 and section 610(c) of the Regulatory Flexibility Act. In December 1997, following review of the public comments, the Board adopted the amendments in substantially the form proposed (63 FR 2806, January 16, 1998). It is not anticipated that the revisions will have a significant economic impact on the overall lending activities of a substantial number of small lenders.

**Timetable:**

Action	Date	FR Cite
Board requested comment	12/12/95	60 FR 63660
Board adopted proposal	01/16/98	63 FR 2806

**Small Entities Affected:** None**Government Levels Affected:** None**Agency Contact:** Scott Holz, Senior Attorney, Federal Reserve System, Legal Division  
Phone: 202 452-2966**RIN:** 7100-AB65**4292. REGULATION: Y—BANK HOLDING COMPANIES AND CHANGE IN BANK CONTROL; REVIEW OF RESTRICTIONS IN THE BOARD'S SECTION 20 ORDERS (DOCKET NUMBER: R-0958)****Priority:** Economically Significant. Major under 5 USC 801.**Legal Authority:** 12 USC 1843(c)(8)**CFR Citation:** 12 CFR 225**Legal Deadline:** None

**Abstract:** Section 20 of the Glass-Steagall Act prohibits a member bank from being affiliated with a company that is "engaged principally" in underwriting and dealing in securities that the member bank may not underwrite and deal in directly ("ineligible securities"). Beginning in 1987, the Board has issued a series of orders authorizing bank holding companies to establish "section 20 subsidiaries" to engage in underwriting and dealing in ineligible securities. In those orders, the Board established a series of prudential restrictions as conditions for approval under the Bank Holding Company Act. The restrictions are designed to prevent securities underwriting and dealing risk from being passed from a section 20 subsidiary to an affiliated insured depository institution, and thus to the Federal safety net, and to mitigate the potential for conflicts of interest, unfair competition, and other adverse effects that may arise from the conduct of ineligible securities activities.

In January 1997, the Board issued for public comment a proposal to remove most of the prudential restrictions that apply to section 20 subsidiaries (62 FR 2622, January 17, 1997). The Board noted that the prudential restrictions were adopted when the Board had little experience supervising investment banks in the United States and before the existence of a number of significant protections currently in place. In view of these factors and the fact that the prudential restrictions prevent bank holding companies from reaping possible synergy gains from the operation of an investment bank, the Board proposed removing most of the prudential restrictions and retaining only those that address bank safety and soundness, significant conflicts of interest, or other concerns that are not addressed by other statutes or regulations.

It is not anticipated that the proposal will have a significant economic impact on a substantial number of small entities subject to the Board's regulation. In August 1997, following review of the public comments, the Board adopted the proposal substantially as proposed (62 FR 45295, August 27, 1997).

**Timetable:**

Action	Date	FR Cite
Board requested comment	01/17/97	62 FR 2622
Board adopted proposal	08/27/97	62 FR 45295

**Small Entities Affected:** None**Government Levels Affected:** None**Agency Contact:** Thomas Corsi, Senior Attorney, Federal Reserve System, Legal Division  
Phone: 202 452-3275**RIN:** 7100-AC31**4293. REGULATION: Z—TRUTH IN LENDING (DOCKET NUMBER: R-0960)****Priority:** Substantive, Nonsignificant**Legal Authority:** 12 USC 1601 et seq**CFR Citation:** 12 CFR 226**Legal Deadline:** None

**Abstract:** In January 1997, the Board approved issuing for public comment a proposal to revise the variable-rate disclosure provisions in Regulation Z (62 FR 5183, February 4, 1997). The revisions implement an amendment to the Truth in Lending Act (TILA) contained in the Economic Growth and Regulatory Paperwork Reduction Act of 1996. The TILA requires creditors to provide consumers with uniform cost and other disclosures about consumer credit transactions. The amendment applies to variable-rate loans with a term exceeding one year and secured by the consumer's principal dwelling. The amendment allows creditors either (1) to disclose an historical example of how rates tied to a particular index or formula moved over a fifteen-year period and how rate changes affected loan payments based on a \$10,000 loan or (2) to give a statement that the periodic payment may substantially increase or decrease together with a maximum interest rate and payment based on a \$10,000 loan.

It is not anticipated that the proposal will have a significant economic impact on a substantial number of small

## FRS

## Completed Actions

entities subject to the Board's regulation. In December 1997, following review of the public comments, the Board adopted the proposal substantially as proposed (62 FR 63441, December 1, 1997).

**Timetable:**

Action	Date	FR Cite
Board requested comment	02/04/97	62 FR 5183
Board adopted proposal	12/01/97	62 FR 63441

**Small Entities Affected:** None

**Government Levels Affected:** None

**Agency Contact:** Kyung Cho-Miller, Attorney, Federal Reserve System, Division of Consumer and Community Affairs

Phone: 202 452-2412

**RIN:** 7100-AC33

**4294. RULES REGARDING AVAILABILITY OF INFORMATION (DOCKET NUMBER: R-0975)**

**Priority:** Substantive, Nonsignificant

**Legal Authority:** 5 USC 552

**CFR Citation:** 12 CFR 261

**Legal Deadline:** Final, Statutory, October 2, 1997.

**Abstract:** In June 1997, as a result of amendments to the Freedom of Information Act (FOIA), the Board issued for public comment proposed changes to its Rules Regarding Availability of Information (Rules) (62 FR 31526, June 10, 1997). In addition, the Rules were reviewed under section 303 of the Riegle Community Development and Regulatory Improvement Act, and some of the proposed changes are intended to streamline the Rules in accordance with that Act.

The proposed amendments establish multi-track processing of FOIA requests and provide for expedited processing of FOIA requests in certain circumstances. In addition, the proposed changes extend the time for processing FOIA requests from 10 days to 20 days and reflect the new requirements that certain information be made available over the Internet, beginning on November 1, 1997.

It is not anticipated that the proposal will have a significant economic impact on a substantial number of small entities subject to the Board's regulation. In October 1997, following review of the public comments, the Board adopted the proposal

substantially as proposed (62 FR 54356, October 20, 1997).

The Board also has pending proposed changes to Subpart C of the Rules, which were published for comment in 1996 (61 FR 7436, February 28, 1996; Docket Number R-0917). These proposed changes primarily concern the discretionary authority of the Board's General Counsel to disclose information in certain circumstances. The comments received on this earlier proposal are still under consideration.

**Timetable:**

Action	Date	FR Cite
Board requested comment	06/10/97	62 FR 31526
Board adopted proposal	10/20/97	62 FR 54356

**Small Entities Affected:** None

**Government Levels Affected:** None

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**RIN:** 7100-AC43

[FR Doc. 98-5171 Filed 04-24-98; 8:45 am]

**BILLING CODE 6210-01-F**