

For release on delivery

Statement by
Stephen S. Gardner
Vice Chairman
Board of Governors of the Federal Reserve System

before the

Committee on Government Operations
United States Senate

on

S. 2812, S. 3428, S. 2258, S. 2716, S. 2878 and S. 2903

May 24, 1976

It is a pleasure to appear before this Committee on behalf of the Board of Governors and to present the Board's views on S. 2812 and S. 3428 and Senate Bills 2258, 2716, 2878, and 2903.

I am sure the Committee is aware that the Federal Reserve Board's unique responsibility for monetary policy not only gives rise to changes in the price and availability of money and credit but also is implemented through a modest amount of regulation that affects credit flows in the economy. But the reorganization bills are not directed at monetary policy actions, and it might be well to make this an explicit exception.

I would like to begin by discussing S. 2812. The Board agrees with the objectives of this bill as expressed in the title and the findings and purposes of the bill. The proposed legislation was brought to the Board's attention by Senator Percy. In acknowledging his letter, Chairman Burns warmly endorsed the broad and responsible objectives contained in the proposal and concurred that the cost of regulation places heavy burdens on the economy.

I specifically refer to statements in the findings and purposes that "Government economic regulation all too

often has become a burden rather than a benefit." There can be little doubt that regulatory agencies have contributed to inflation and forced rigidities on our economy by limiting competition and at times even contributing to "monopolistic and cartel-like market patterns contrary to the public interest." The charge that regulators have often failed to set clear priorities and have contributed to excessive paperwork and delay in the regulatory process is hard to deny. The conclusion that regulatory agencies "consistently fail to take consumer and small business interests adequately into account" may have been particularly true in years past, but the Congress and the regulatory agencies are obviously moving to correct this deficiency.

In view of this preface in the Act, it seems appropriate to point out that in its regulatory role the Federal Reserve does not set fares or prices or rates charged to the public. In addition in the matter of competition, the Board cannot take actions that it determines to be anti-competitive under the provisions of the Bank Merger and Bank Holding Company Acts unless these considerations are outweighed by other public interest factors of greater merit. In administering the Acts the Board does deny application on the basis of anticompetitive considerations even though such adverse competitive issues are not of sufficient magnitude

to constitute a violation reachable under antitrust law. Appendix A of my testimony is a summary of the procedures the Board follows in assessing the competitive impact of bank structural changes.

The Board has also been charged in recent years by the Congress with a variety of responsibilities to protect consumer interests. This is a familiar role since the Board must frequently work in concert with the Federal Deposit Insurance Corporation and the Comptroller of the Currency to protect depositors in prospective bank failures. Appendix B is a digest of the Board's regulations and activities related to consumer protection.

If one compares the title and findings and purposes stated in both S. 2812 and S. 3428 with the statutes that the depository institution regulators are charged with administering and assesses the competitive situation in the industry being regulated, it seems clear that much present regulation of financial institutions is entirely consistent with many of the purposes of the two regulatory reform proposals. I do not mean, however, to recommend exemption of the depository institution regulators and their processes from such reforms. The regulation of banks and thrift

institutions does involve considerable paperwork and often delays the implementation of services that financial institutions can offer. In addition, there is some overlap among Federal agencies in the regulation of depositories and frequently regulators have to face conflicting mandates in trying to carry out their regulatory responsibilities. I could cite the notorious Regulation Q which limits the interest paid to small savers and competition among financial institutions for the expressed and equally desirable purpose of protecting the supply of mortgage credit. In other areas, Congress has frequently addressed issues that have social merit but conflict with other desirable goals. For example, much financial institution regulation is directed at protecting the public and maintaining sound financial institutions. But Congress has also expressed concerns about the availability of credit to small business and urban development and housing that bears a higher than normal degree of risk.

The Board is very impressed with the mounting evidence of serious interest of Congress and the Administration in meaningful and objective regulatory reform to resolve the problems of regulation. Having already

endorsed the thrust of S. 2812, we also believe that S. 3428 should be given careful consideration. It is obviously important to include all inter-related industry regulations in the consideration of each agency reorganization plan as proposed in the Administration bill. This is particularly true, as you know, because both bills are concerned with rationalizing conflicting Government agency directives. We have the further concern that the time allowed for consideration of each industry or agency review be sufficient to prevent the sheer size of the project from affecting the ability of the Administration and the Congress to act judiciously. The initial date of planned submission of S. 3428 of January 31, 1978, may be more realistic than the March 31, 1977, date prescribed in S. 2812.

We are also concerned about the provision in S. 2812 which invalidates all rules and regulations of an agency covered by a reorganization plan 15 months after its submission, if the Congress has not completed action on that plan in the meantime. A rigid provision may result in inadequately considered legislation changing or reconstituting existing agencies, or a lapse in regulatory authority that may be needed in the public interest.

We believe it would be better not to create a legal framework in which a regulatory lapse is the forcing mechanism for action.

On the subject of review of agency regulations, S. 2258, S. 2716, S. 2878 and S. 2903 all contain a provision for Congressional veto of agency regulations. The Board opposes such a Congressional veto. Delegations of authority to the agencies to administer laws by rules and regulations have been made by the Congress in most cases because the subjects involved are of such technical or specialized nature that the Congress has concluded they should be governed by an expert body. When Congress amended the Bank Holding Company Act in 1970, it rejected the concept that specific holding company activities should be determined by Congress and committed this responsibility to the Board of Governors to be exercised under a broad legislative standard. We believe it would be a mistake to take the authority for these determinations and comparable actions of other agencies away from the organizations charged with the day-to-day administration of the laws. It would seem preferable to consider changes in the governing standards set forth in the substantive law when the Congress is dissatisfied with agency administration, rather than to provide for new procedures that could lead to less efficient administration.

Many of the problems which give rise to these proposals for a Congressional veto could be offset by improved Congressional oversight. The Board has recently proposed to the banking committees a program for Congressional oversight of the bank supervision function under which Congress would review the supervisory process with more frequency. This proposal envisages providing the banking committees with information as to trends of capital, liquidity, earnings, classified loans and portfolio losses. The Board believes these data and other information about the bank examination process would provide a factual basis for the banking committees to evaluate the effectiveness of bank supervision and regulation.

Similar arrangements for furnishing information and analyses could be arranged between other regulatory agencies and the appropriate committees of the Congress in order to provide for continuing and effective oversight.

S. 2878 also provides for the establishment of an Office of Regulatory Policy Oversight. The Board believes that it is important for the Congress to give attention to oversight jurisdiction to avoid duplication of oversight activities and establish standards and principles for such processes. A review of oversight organization is as appropriate as the proposed review of regulations.

There is much that can be done to improve the regulation of financial depository institutions but I must point out that this subject has received significant Congressional attention in the last two years. As you know, there have been recent and detailed hearings and Congressional interest in many phases of financial institution regulation. The banking committees of the Senate and the House have both had hearings on reorganization proposals in 1975 and 1976. Governors of the Federal Reserve Board have testified before these committees on proposals for financial agency reorganization on four separate occasions between July 1975 and March 1976. Neither committee of the Congress has agreed to adopt any of the various reorganization proposals submitted to them. In addition, there are a number of current initiatives germane to the purpose of this bill in other proposed legislation being debated in the appropriate Senate and House committees. Further, the financial agencies have made a number of changes that are addressed to improving regulatory procedures and performance. Federal Reserve Board initiatives are listed in Appendix C. The Board has also been monitoring the continuing need for regulations and report forms. The Board now has under review an analysis of its regulations by a study group whose objective was to find areas where simplification and reduction of

regulations could take place. Appendix D lists changes in Board reporting requirements since 1970.

Finally, I would like to comment briefly on the U.S. banking industry of which the Federal Reserve is a primary regulator. We have supported the purposes and objectives of S. 2812 and S. 3428 because we believe that a balanced and objective assessment of banking and bank regulation is in the public interest. In this process analyses of the competitiveness and safety of the banking system will inevitably be made and contrasts can be drawn with the past and with systems developed in other industrialized nations. I expect that attention will be focused on the performance of banks and bank regulators during the extraordinarily difficult period of 1973-1975. Our recent experience does give us useful guidelines for improving regulation and assessing the adequacy of the tools needed by regulators. But if we are to achieve effective regulatory reforms it is also important to achieve a consensus evaluation of the system.

It is our view that through growing liquidity, improved earnings, and additions to capital, the banking system remains sound with its competitiveness undiminished.

The Board commends the Committee's initiative in undertaking this study of these important, and complex, problems and we would be pleased to contribute to the further work of the Committee.

BOARD PROCEDURES FOR ASSESSING COMPETITIVE
IMPACT OF BANK STRUCTURAL CHANGES

In assessing the competitive impact of a bank merger, a holding company formation, or a proposed acquisition of a bank by a holding company, the Board usually focuses on the relevant local banking markets, for it is in these markets that bank customers have the fewest alternatives. Defining the relevant geographic market is one of the more difficult aspects of such a competitive analysis. Information on prices, types of services offered, commuting and trade patterns, and the geographic coverage of local news media are used to approximate a market boundary. Local banking markets are usually approximated by counties or metropolitan areas. If a holding company already has one or more banks in the market in which it seeks to acquire another bank, the Board determines the extent to which existing competition would be adversely affected by the acquisition. This determination depends primarily on the market shares already held by the holding company's banks and the share held by the bank to be acquired; but factors affecting the competitive strength of the acquired bank, such as the bank's financial condition and management, are also important.

In assessing the competitive effects of a bank merger or acquisition, it is also important to consider the implications for the immediate area in which the bank to be merged or acquired is located. Because the choice of a bank by a customer is dictated

largely by convenience considerations, the number of banking alternatives and other factors affecting competition in the target bank's immediate area must be weighed.

If the holding company is not already represented in the market of the bank to be acquired, the Board assesses the likely effects of the acquisition on future competition. In making this assessment, the Board judges first the possibility that a holding company might enter the market de novo (that is, with a newly chartered bank or branch) or through acquisition of a smaller bank, should the proposed acquisition be denied. This possibility depends largely on the holding company's characteristics--such as its overall size and its aggressiveness--and on the general attractiveness of the particular market. The Board also determines on the basis of the present structure of the market the extent to which de novo or smaller bank entry into the market would be preferable to the proposed acquisition. The Board is most likely to give weight to future competition in cases where (1) the market is concentrated; (2) the holding company proposes to acquire the largest or one of the largest banks in the market; (3) the market is attractive for de novo entry; and (4) the holding company is one of a few possible entrants.

In assessing the competitive impact of proposed nonbanking acquisitions, the Board determines in what product and geographic

markets the company to be acquired operates, and to what extent, if any, the holding company's subsidiaries already compete in those markets. Market shares are computed and these are used, along with other information, to judge the magnitude of the competitive effects. In addition, the Board considers whether the acquisition would have any adverse effect on future competition.

DIGEST OF BOARD RULES AND REGULATIONS
RELATING TO CONSUMER PROTECTION ACTIVITIES

Regulation Z, Truth in Lending -- Regulation Z implements the Truth in Lending Act, passed by Congress in 1968, and the Fair Credit Billing Act, passed in 1974. The purpose of the Regulation is to give consumers meaningful, uniform disclosure of the cost of credit at the time a loan is consummated or a credit card is issued. The Regulation also prohibits the unsolicited distribution of credit cards and limits a consumer's liability in the event of loss or theft of a credit card to \$50. The Regulation sets forth specific requirements concerning the advertising of consumer credit terms. In addition, Regulation Z specifies how creditors must respond to billing complaints from consumers.

Regulation B, Equal Credit Opportunity -- Regulation B implements the Equal Credit Opportunity Act, passed by Congress in 1974. The Act, as originally enacted, prohibits discrimination on the basis of sex or marital status in any aspect of a credit transaction. Regulation B defines permissible and nonpermissible activities by creditors, sets certain record-keeping requirements, and describes available consumer recourse, including the filing of complaints with the appropriate regulatory agency and the provision for individual and class action law suits. Recent amendments to the Equal Credit Opportunity Act, signed into law on March 23, 1976, extend the prohibited categories of discrimination to include age, race, religion, color, national origin, receipt of public assistance funds, and the exercise of rights under the Consumer Credit

Protection Act. The Board is now developing an amendment to Regulation B to implement the legislative amendments that become effective on March 23, 1977.

Unfair or Deceptive Acts and Practices -- Under the Federal Trade Commission Improvement Act, passed in 1975, the Board was given the authority to prohibit unfair or deceptive acts or practices of banks. The Act requires the Board to establish a procedure for handling consumer complaints concerning unfair or deceptive acts or practices of State member banks, gives the Board independent rule-writing authority, and requires the Board to issue rules substantially similar to any promulgated by the Federal Trade Commission for the rest of the financial community unless the Board finds that such practices are not unfair or deceptive with respect to banks, or would severely impair monetary policy or the payments mechanism. To date, the Board has issued two proposed rules in response to similar FTC action: (1) the elimination or limiting of certain credit collection and contract practices, and (2) the preservation of consumer claims and defenses. This latter rule would essentially eliminate the "holder in due course" doctrine by relieving consumers, in certain circumstances, of the legal responsibility to pay for defective merchandise or services purchased on credit.

Fair Credit Reporting -- The Fair Credit Reporting Act, passed in 1970, requires that consumer reporting agencies adopt procedures to assure the maintenance of fair, accurate, and timely information in consumer

credit history files. The Act also specifies that creditors who deny credit based on information supplied by a consumer reporting agency must tell the applicant the name and address of the agency. The Board is responsible for enforcement with respect to State member banks.

Proposed Regulation C, Home Mortgage Disclosure -- This proposed Regulation, published in response to the Home Mortgage Disclosure Act of 1975, would require depository institutions that are subject to the Act to disclose publicly where their mortgage loans are made. The Act will become effective on June 28, 1976.

Consumer Leasing -- The Consumer Leasing Act amends the Truth in Lending Act by requiring the accurate disclosure of the costs and terms of consumer leases and of leasing terms in advertisements. The Board is currently preparing a proposed regulation to implement the Act, which becomes effective March 23, 1977.

LIST OF LEGISLATIVE RECOMMENDATIONS AND REGULATORY AND ADMINISTRATIVE
ACTIONS TAKEN BY THE FEDERAL RESERVE WITHIN THE PAST TWO YEARS IN THE
AREA OF BANK SUPERVISION AND REGULATION

Legislative Recommendations

1. A proposed bill relating to the supervision of foreign banks in the United States (S. 958, H.R. 5617).
2. A proposed bill to permit more expeditious handling of problem bank and bank holding company situations and to permit acquisition of a problem bank by an out-of-State bank holding company (H.R. 4008, S. 890).
3. A proposed bill to: (a) provide civil penalties for violations of banking laws; (b) place aggregate limits on loans to insiders and their interests; (c) permit easier removal of officers or directors of a banking institution; and (d) permit the Board to order divestiture of a bank holding company subsidiary (S. 2304, H.R. 9743 and Title I of H.R. 10183).
4. A proposed bill extending application of reserve requirements to all depository institutions (S. 2050, S. 1961).

Regulatory Actions

1. Changes in Regulation A relating to member banks' access to longer-term emergency credit.
2. Amendments to Regulations H and F requiring State member banks to treat standby letters of credit and ineligible acceptances in the same manner as loans.
3. Proposed guidelines for evaluation of requests, and regulatory changes to increase flexibility in the issuance of notes and debentures by State member banks (Comments under review).
4. Change in Regulation Y relating to acquisition by a bank holding company of its own stock ("Bootstrapping").

Administrative Actions

1. Increased efforts to identify potential problem State member banks.
2. Increased efforts to identify potential liquidity problems of all banks.
3. Intensified and more uniform follow-up procedures when a problem bank is identified, including progress reports, meetings with directors, and special-purpose examinations.

4. Uniform procedures relating to identification of bank holding company liquidity problems and on-site examinations.
5. Introduction of interagency early warning system regarding subsidiaries of bank holding companies.
6. Initiation of an expanded computerized surveillance system for bank holding companies.
7. Expanded efforts to identify risks associated with banks' foreign exchange trading and to improve banks' audit and control procedures.
8. Clarification of limitations on bank extensions of credit to their holding company affiliates.
9. Reorganization of the Board's Division of Banking Supervision and Regulation in order to strengthen bank and bank holding company supervisory efforts.
10. Increased efforts to expand and improve examiner training.
11. Institution of limited bank examinations for banks with minimal or no problems in order to insure the most effective use of examiner personnel.
12. Issuance of policy statement regarding joint ventures undertaken abroad by U.S. banks.
13. Review of all Federal Reserve Regulations with the objective of simplifying and eliminating Regulations wherever feasible.

CHANGES IN BOARD REPORTING REQUIREMENTS SINCE 1970

I. Recurrent Reports Initiated Since 1970

A. Reports Initiated and Continuing

1. FR 414a - Supplementary Report of Deposits

This weekly report (daily figures) was started in 1973 when funds raised through affiliates and ineligible acceptances that were made subject to reserve requirements under Regulation D. The report changes depend on Regulation D specifications. In December 1974, the number of reporting banks was reduced from 900 to 50 when marginal reserve requirements on large time deposits was eliminated.

2. FR 502A - Quarterly Report on Foreign Branch and Liabilities

Foreign branches of member banks located in specified countries must report their assets and liabilities by country of address of customer.

This reporting requirement was effective September 30, 1975.

3. FR 835 a,b - Interest Rates Charged on Selected Types of Loans

This monthly report by 375 banks was initiated by the Committee on Interest and Dividends in 1971 as part of its Phase I program to monitor interest rates on loans to consumers, small businesses, and agricultural operations. The report has been continued by the Board and FDIC in view of widespread interest in these data. Alternatives to this report are now under study by these agencies, and changes

are expected in 1976. (See also item II).

4. FR 835c - Quarterly Supplement to FR 835a.

This report, initially by 375 banks, was begun in 1972 as part of the Committee on Interest and Dividend's Phase 3 surveillance program. It includes two items on compensating balance requirements. It is expected that this report will be eliminated in 1976.

5. FR 886a - Report of Condition for U.S. Agencies, Branches, and Domestic Bank Subsidiaries of Foreign Banks

Monthly report by about 130 institutions, begun in 1973. This report is a full balance sheet used for a variety of analytical purposes and in conjunction with regulatory actions on voluntary foreign credit restraint and marginal reserve requirements.

6. FR 886b - Report of Condition for Edge Act Corporations Engaged in Banking

Monthly report by 40 Edge Act Corporations similar to FR 886a in item I.5 above.

7. Form F-1B, Registration of Securities of Certain Successor Issuers.

This report was added in December 1975, in order to conform to the Board's regulation pertaining to State member bank securities with SEC rules and regulations.

8. Statement of Changes in Financial Position (Source and Application of Funds).

This report requirement was added but for which no

guideline form was designed in order to conform to the Board's regulation pertaining to State member bank securities with SEC rules and regulations.

9. FR U-3 - Statement of Purpose of Credit to be Extended to Third Market Makers
10. FR U-5 - Statement of Purpose of Credit to be Extended to Block Positioners
11. FR U-6 - Statement of Extension of Time in Respect to Credit Extended to Block Positioners (under Sections Sections 221.3(7), 221.3(z), and 221.3(z) respectively of Regulation U)

These three-purpose statements (9, 10, and 11 above) that commercial banks must obtain in connection with exempt credit extended to block positioners and third market makers were instituted in October 1972 by Board action.

12. FR Y-4 - Application for Prior Approval of an Acquisition Pursuant to Section 4(c)(8) of the Bank Holding Company Act of 1956, as amended.

This form completed by banks contains information on proposed acquisitions that require Board approval. It was instituted in mid-1971 as a result of the 1970 amendments to the Bank Holding Company Act.

13. FR Y-8 - Report of Intercompany Transactions and Balances

This is a report of balances and assets transferred between nonbanking subsidiaries and the bank or bank holding company.

Report tested during first quarter 1975 with subsequent reports to be filed quarterly starting with the third quarter 1975.

14. Report of Negotiable Orders of Withdrawal (NOW)

Accounts (R&S 48)

This report was begun in 1974 to provide data for monitoring growth in NOW Accounts and competitive relationships among banks and thrift institutions in Massachusetts and New Hampshire.

With Congressional action which allowed the expansion of NOW Accounts to all of the New England States, the report is now collected by the Federal Reserve Bank of Boston as agent for the FHLBB, FDIC, and the Federal Reserve, from banks and thrift institutions in the New England States. This change was effective March 1, 1976.

15. Officers Checks and Deposit Report

This report provides daily information on two items from the branches and agencies of foreign banks and foreign investment companies located in New York City that report monthly on FR 886a (item I.5 above). The report was initiated in April 1975 to provide data for use in current money supply estimates.

16. Treasury Foreign Exchange and Foreign Currency Reports

The Federal Reserve Banks are collection agents for a number of reports required by the Treasury Department. Several new reports, listed below, were initiated in 1974 by the Treasury. The Treasury's Office of International

Affairs Reports is responsible for any changes in these reports.

New Treasury Foreign Exchange reports:

- B-1a - Monthly Report of Short-term Liabilities to Foreigners in Selected Countries not Listed Separately on Form B-1
- B-2a - Monthly Report of Short-term Claims on Foreigners in Selected Countries not Listed Separately on Form B-2
- B-3a - Monthly Report of Long-term Dollar Liabilities to and Dollar Claims on Foreigners in Selected Countries not Listed Separately on Form B-3
- S-1a - Monthly Report of Purchases and Sales of Long-term Domestic Securities by Foreigners in Selected Countries not Listed Separately on Form S-1

New Foreign Currency reports:

- FC-I - Weekly Report of Positions in Specified Foreign Currencies of Banks in the U.S.
- FC-1a - Monthly Report of Assets, Liabilities, and Positions in Specified Foreign Currencies of Banks in the U.S.
- FC-2 - Weekly Consolidated Report of Positions in Specified Currencies of Foreign Branches and Subsidiaries of U.S. Banks
- FC-2a - Monthly Consolidated Report of Assets, Liabilities, and Positions in Specified Currencies of Foreign Branches and Subsidiaries of U.S. Banks

B. Reports Initiated and Discontinued

1. Supplement to FR 105 - Consolidated Report of Condition-Bank Loan Commitments

Semi-annual report by about 700 banks begun in 1973 to supplement the monthly sample survey (item II). Used to

monitor the volume and usage of loan commitments at commercial banks, since these factors have important implications for bank safety and monetary policy.

2. Supplement to FR 296 - Survey of Time and Savings Deposits

This monthly report by all member banks, begun in October 1973, provided data on large time deposits of \$100,000 or more and also on consumer-type time deposits of \$1000 to \$100,000 for purposes of monitoring changes in these deposits in connection with Regulation Q changes. The report was discontinued in May 1974.

3. FR 414b - Special Reservable Liabilities Report - Nonmember

This report was used by nonmember banks that cooperated voluntarily with Federal Reserve monetary restraint actions in 1973 and subsequently which placed marginal reserve requirements on large time deposits and on funds raised through affiliates and ineligible acceptances. A small number of nonmember banks participated using this report until December 1974, when marginal reserve requirements were discontinued.

4. Supplement to FR 416 - Weekly Condition Report of Large Commercial Banks - Time Deposits Exempt from Regulation Q Ceilings

This weekly report by the FR 416 sample was initiated in the summer of 1973 for a short time to monitor growth in newly authorized consumer time deposit instruments maturing in four years or more that were exempt from

Regulation Q ceilings. This supplement was discontinued in November 1973 when these instruments were brought back under interest rate ceilings.

5. FR 416e - Savings Deposits by Ownership Categories

This report was discontinued because the information requested was incorporated in FR 416 - Weekly Report of Condition.

6. FR 936 - Monthly Report on Foreign Assets

This report, started in early 1973, required the reporting of claims, export credits, leases, etc., by banks and banking institutions. In addition, U.S. agencies and branches of foreign banks also reported foreign liabilities. The report was discontinued at the end of 1974 after the termination of the Voluntary Foreign Credit Restraint program.

7. FR 937 - Quarterly Report on Foreign Assets

This report, started in early 1973, required the reporting of various kinds of foreign assets by non-financial institutions and non-profit organizations with foreign assets of \$5 million or more. It was discontinued in late 1974 after the termination of the VFCR program.

8. FR 977 - Quarterly Survey of Bank Accommodation to
Federal Advisory Committee Statement on Lending
Practices

This report initiated in October 1974, replaced a survey of the Joint Economic Committee. 127 banks reported.

The report supplement data available from other reports on bank lending to selected borrowers. The survey was discontinued in 1975.

9. Supplement to FR 467 - Interest Rates on Loans to Business Made During ____19__ Inclusive

This supplement was initiated in 1972 as part of the Phase 3 surveillance program of the Committee on Interest and Dividends. It consisted of two items to provide information on whether effective interest rates were being altered through changes in compensating balance requirements. This supplement, which was applied to the 125 member banks reporting on FR 467, was discontinued in the summer of 1973.

10. Special Survey of Loans to Nonbank Financial Institutions.

This temporary weekly report by 35 large banks, begun in late 1974, to provide data on loans to five categories of financial institutions, was allowed to expire in March 1976.

II. Significant Changes in Reports Existing on January 1, 1970

1. FR 18a - Monthly Survey of Loan Commitments

This survey was changed from quarterly to monthly, and the reporting sample was expanded from about 50 to 140 banks to include some nonmember banks. The amount of information requested was reduced by the elimination of

items on new commitments.

2. FR 83a-e - Application for Membership in the Federal Reserve System

These forms which had been in use since 1936 were updated in mid-1974 to better reflect current situations. Specifically, three new sections dealing with newly formed, non-operating bank, existing bank and "phantom" bank were added.

3. FR 105 - Consolidated Report of Condition

As needs for information have changed, the Consolidated Report of Condition has been subject to several changes in the body or its Schedules or Supplements. The major changes are listed.

(a) Schedule B - Maturity of Investment Securities

The amount of information requested on this schedule was drastically reduced in June 1975 and further change in March 1976. Formerly, Schedule B called for listings of the amounts held of each U.S. Treasury and Federal Agency security outstanding on the Call Report date. The revised form calls for a maturity distribution of three major categories of securities--U.S. Treasury, Federal Agency, and States and Political Subdivisions and other securities.

(b) Mobile Home Financing. A supplement to the June 1970 Report of Condition required the reporting of loans made to finance mobile homes. Subsequently, and continuing

to date, reporting of this item was made part of Schedule A of the Report of Condition.

(c) Large Time Deposits. Time Deposits in Denominations of \$100,000 or more owned by (1) Individuals, Partnerships and Corporations and (2) All Others, was first collected on a slipsheet with the December 1973 Report of Condition and has been made a permanent part of Schedule K, to be collected semi-annually, with the June 1974 Report of Condition. With the extensive revision of FR 105, effective March 31, 1976, Schedule K was deleted and Large Time Deposits (Certificates and Other) became memoranda items.

(d) The FR 105 was extensively revised, effective March 31, 1976, to conform with disclosures requirements of SEC. The basic report was redesigned, Schedules renumbered, and the information contained in the various Schedules combined and moved to a more logical place. The major changes in reporting requirements was the establishment of a three-way allocation of the reserve for bad debt loan losses, frequency and date of reporting, rounding of information; changes in unearned income on loans, capital notes and debentures, corporate stock items, and internal changes in many of the Schedules.

Further changes were the addition of Large Bank Supplements to the report. These are Supplement A - Remaining Maturities on Selected Loans, B - Maturity Distribution of Deposits, C - Securities Held in Trading Accounts of

Domestic Offices and D - Summary of Loan Loss Experience and Reserve for Possible Loan Losses and are required to be reported by all banks with total consolidated assets of \$300 million or more on their previous year-end condition statement.

4. FR 107 - Consolidated Report of Income

This report was extensively revised, effective March 1976, to conform with disclosure requirements of SEC. The major changes were to provide for semiannual reporting of all banks and quarterly for "large" banks, format for presentation of taxes and net income concepts, detail on taxes, recording of "extraordinary items," interest on U.S. Government obligations, reserves for loan losses, and several others.

5. FR 296 - Survey of Time and Savings Deposits

Outstanding and Rates Paid at Close of Business
on _____.

The detailed breakdowns of data on this report have changed several times to take account of changes in Regulation Q pertaining to ceiling rates on various types of time and savings deposits. A major revision of this report has been completed and will be implemented in July 1976.

6. FR 314 - Report of Condition of "Name of corporation"

(Corporations engaged in foreign banking and financing under the Federal Reserve Act)

Some modifications have occurred since 1970 but

have been minor--simplification of some items; changes resulting from changes in regulation, particularly Regulation D; and changes to parallel the Consolidated Report of Condition.

7. FR 414 - Report of Deposits, Vault Cash, and Federal Funds Transactions

This report has been changed occasionally to reflect changes in Regulation D pertaining to reserve requirements.

8. FR 416 - Weekly Condition Report of Large Commercial Banks

A memorandum was added to this report in December 1974 to provide data on large time deposits other than negotiable CD's of \$100,000 or more. This was not a new request for data but substituted for information previously requested on the FR 414a report. The information on time deposits (discontinued on the FR 414a) is of such value in analysis of changes in consumer time deposits that item was added to the FR 416 report.

This report was amended in 1976 to include the information on savings accounts formerly on FR 416e and to conform to changes in the Report of Condition (II3d).

9. FR 416c - Report of Loans Sold to and Outstanding Commercial Paper Issued by Selected Institutions Related to Weekly Reporting

This report was revised in August 1974 reducing the number of items reported from about 20 to 5 and somewhat increasing the size of the reporting panel.

10. FR 416d - Offering Rates on Negotiable Certificates
of Deposit.

The reporting banks for this telephone report have been changed and the maturity intervals have been changed to specific maturity dates.

11. FR 467 - Interest Rates on Loans to Business Made During
_____ 19__ Inclusive

This report was revised in 1971, reducing the number of loans sampled considerably and incorporating other changes designed to improve the calculation of interest rates. If a proposed new report-survey of Bank Terms of Lending is approved, this report will be discontinued in October 1976.

12. FR 571 - Commercial and Industrial Bank Report of
Commercial Credit

With the increasing movement of consumer financing from permanent construction to mobile homes, a line for reporting mobile home loans was added in mid-1971.

13. FR 584a - Instalment Loans for New Automobiles by
Maturity Acquired During (_____)
Month, Year

In 1974, the frequency of this monthly report was changed to quarterly, and the report was simplified to focus on maturities of auto instalment loans on new cars.

14. FR 584 b - Dealer Cost Ratios and Maturities on Auto-
mobile Instalment Loans.

The maturity structure on this report was changed to

reflect longer maturities on automobile paper.

15. FR 835 - Interest Rates Charged on Selected Types of Loans

In the summer of 1975, this form was divided into FR 835a and b to separate collection of data on agricultural and small business loan rates from consumer loan rates. The small business prime rate item was dropped in 1975.

16. Form F-4, Quarterly Report, Part B - Borrowing and Equity Capital was added in order to conform to the Board's regulation pertaining to State member bank securities with SEC rules and regulations.

17. Form F-7, Initial Statement of Beneficial Ownership of Securities. This form, particularly Table II, was redesigned and expanded in order to conform to the Board's regulation pertaining to State member bank securities with SEC rules and regulations.

18. Form F-8, Statement of Changes in Beneficial Ownership of Securities. This form, particularly Table II and transaction price information was redesigned and expanded in order to conform with the Board's regulation pertaining to State member bank securities with SEC rules and regulations.

19. Form F-9D, Schedules in support of financial statements - Schedule I and II Maturity tabulation of investment securities were changed to require market value entries in order to conform to the Board's regulation pertaining to State member bank securities with SEC rules and regulations.

20. FR U-4a,m - Annual, Monthly Report of Outstanding Loans

to Purchase or Carry Securities

One item of information - loans not secured by stock for the purpose of purchasing or carrying securities - was deleted in early 1973.

21. FR Y-5 - Registration Statement

This report was changed in 1971 to enable the Board to obtain information considered necessary or appropriate for its deliberations under the amendments to the Bank Holding Company Act.

22. FRY-6 - Bank Holding Company Annual Report.

A supplement was added to this report in 1976 to provide financial information with standard definitions that could be used for the computer screening program.

III. Reports in Existence in 1970 and Since Discontinued

1. FR105-Supplement to Consolidated Report of Condition -
Credit Cards.

This supplement was initiated with the December 1970 Consolidated Report of Condition and continued on an annual basis until December 1973. Data collected included type of plan, amounts outstanding, retail sales, cash advance, number of merchants, and gross revenue.

2. FR 105 - Schedule K - Supplemental Information on Trading
Account Securities and Federal Funds Sold and Securities
Purchased Under Agreements to Resell.

This schedule was dropped and the information included in other Schedules in the revision of the Report of Condition

March 1976 (II 3c and d)

3. FR 220, 220a - Report of an Affiliate, also Publisher's
Copy

Report contained descriptive information about bank affiliates. The report was started in 1933. National banks have not been required to report since 1961, and the report was waived for State member banks in 1973.

4. FR 501 - Monthly Report of U.S. Dollar (Eurodollar)
Deposits and Direct Borrowings

This report was initiated in 1969 to provide information on maturity of liabilities of foreign branches. The report was discontinued in 1973 after four years when a determination was made that the data was not of sufficient value to warrant continued collection; similar information was available from other sources.

5. FR 503 - Annual Supplement to Monthly Report on Foreign
Branch Assets and Liabilities (the FR 502)

This report was initiated in 1969 to provide data needed for the Interest Equalization Act program. The report was terminated in 1973 when the Treasury Department determined that it was no longer needed for supervision of the program due to the small volume of foreign branch operations covered by the report.

6. Voluntary Foreign Credit Restraint Program

This program resulted in the initiation of several foreign asset reports--FR 391, 391a monthly, and 392, 392a quarterly--in 1965. These reports provided data on foreign

asset holdings of banking and nonbank financial institutions
and were terminated with the program in 1974.