

FEDERAL RESERVE BANK OF DALLAS
DALLAS, TEXAS 75222

Circular No. 74-37
January 31, 1974

PROPOSED AMENDMENT TO REGULATION F
(Disclosure of Standby Letters of Credit)

To All State Member Banks
in the Eleventh Federal Reserve District:

The Board of Governors of the Federal Reserve System announced on January 25, 1974, a proposed amendment to Regulation F, "Securities of Member State Banks" which would require disclosure of amounts of standby letters of credit on financial statements of banks that are subject to the regulation. Our Circular No. 74-28, dated January 23, 1974, transmitted a proposed amendment to Regulation H also dealing with standby letters of credit.

The Board invites public comment on the proposal. Such comments should be submitted in writing to the Secretary, Board of Governors of the Federal Reserve System, Washington, D. C. 20551, to be received not later than March 15, 1974.

A copy of the proposed amendment is enclosed.

Yours very truly,

P. E. Coldwell

President

Enclosure (1)

FEDERAL RESERVE SYSTEM

[Reg. F]

Part 206--Securities of Member State Banks
Disclosure of Standby Letters of Credit

The Board proposes to amend the disclosure requirements of Regulation F, "Securities of Member State Bank" to require disclosure of the amounts of outstanding standby letters of credit on financial statements of banks that are subject to the regulation. Such disclosure would more adequately inform the public of a bank's potential liabilities.

A standby letter of credit is any letter of credit or similar arrangement, however named or described, other than a commercial letter of credit issued to facilitate the sale of goods, of the character under which sight drafts or bankers' acceptances of the kind eligible, or which would become eligible, for discount by a Federal Reserve Bank under Regulation A, could be drawn. Standby letters of credit were the subject of a proposed amendment to the Board's Regulation H (12 CFR 208) "Membership of State Banking Institutions of the Federal Reserve System," by Board action dated January 17, 1974.

This notice is published for comment pursuant to Section 553(b) of Title 5, United States Code, and Section 262.2(a) of the Rules of Procedure of the Board of Governors. The proposal would be adopted pursuant to the Board's authority under Section 12(i) of the Securities Exchange Act of 1934 (12 U.S.C. 78).

Any comments should be submitted in writing to the Secretary, Board of Governors of the Federal Reserve System, Washington, D. C. 20551,

to be received not later than March 15, 1974. Such material will be available for inspection and copying on request, except as provided for in section 261.6(a) of the Board's Rules Regarding Availability of Information.

To implement its proposal, the Board is considering amending Regulation F [12 CFR 206] as follows:

§ 206.7 Form and Content of Financial Statements

* * * * *

(c) Provisions of general application***

(9) General notes to balance sheets***

"(viii) Standby Letters of Credit. State the amount and briefly describe the general terms of outstanding "standby letters of credit". A "standby letter of credit" is any letter of credit or similar arrangement, however named or described, other than a commercial letter of credit issued to facilitate the sale of goods, of the character under which sight drafts or bankers' acceptances of the kind eligible, or which would become eligible, for discount by a Federal Reserve bank under Regulation A, could be drawn. It would include, but not be limited to, letters of credit attached to promissory notes, i.e., so-called "documented discount notes."

* * * * *

By order of the Board of Governors, January 25, 1974.

(Signed) Chester B. Feldberg

Chester B. Feldberg
Secretary of the Board

[SEAL]