



**FEDERAL RESERVE BANK  
OF DALLAS**

**WILLIAM H. WALLACE**  
FIRST VICE PRESIDENT  
AND CHIEF OPERATING OFFICER

August 21, 1987

DALLAS, TEXAS 75222

Circular 87-58

**TO:** The Chief Executive Officer of all  
member banks and others concerned in  
the Eleventh Federal Reserve District

**SUBJECT**

**Amendments to Regulation F - Securities of State Member Banks**

**DETAILS**

The Board of Governors of the Federal Reserve System has requested public comment on a proposal to amend its Regulation F. Under the proposed amendment, state member banks filing with the Board, pursuant to section 12(i) of the 1934 Act, will no longer use the various forms found in 12 C.R.F. §§206.41-82, but rather utilize the forms required by the Securities and Exchange Commission (the "SEC") of entities, such as bank holding companies, which are subject to its regulation. The proposal also permits a bank with no foreign offices and total assets of less than \$100 million to substitute the quarterly financial statements filed on Federal Financial Institutions Examination Council ("FFIEC") Form 034 for the financial statements normally required on SEC Form 10-Q.

Comments on the proposal should be addressed to Mr. William W. Wiles, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, N.W., Washington, D.C. 20551. All correspondence should refer to Docket No. R-0609, and must be received on or before September 16, 1987.

**ATTACHMENTS**

The material as published in the Federal Register is attached.

**MORE INFORMATION**

For further information, please contact Sharon Sweeney of this Bank's Legal Department at (214) 651-6228. If you wish to receive additional copies of this circular, please contact our Public Affairs Department at (214) 651-6289.

Sincerely yours,

A handwritten signature in cursive script, reading "William H. Waller". The signature is written in dark ink and is positioned below the typed name "William H. Waller".

FEDERAL RESERVE SYSTEM

12 CFR Part 206

[Regulation F, Docket No. R-0609]

SECURITIES OF STATE MEMBER BANKS

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Proposed Rule.

SUMMARY: The Board proposes to amend its Regulation F (12 C.F.R. § 206), pursuant to the Board's responsibility under section 12(i) of the Securities Exchange Act of 1934, as amended (15 U.S.C. § 78(i)) ("Act"). The proposed amendment rescinds the various forms included in 12 C.F.R. §§ 206.41-82 and replaces those forms with a requirement that state member banks filing with the Board pursuant to section 12(i) of the 1934 Act, file information with the Board on the forms required by the Securities and Exchange Commission (the "SEC") of entities, such as bank holding companies, which are subject to its regulation. The proposal would also permit a bank with no foreign offices and total assets of less than \$100 million to substitute the quarterly financial statements filed on Federal Financial Institutions Examination Council ("FFIEC") Form 034 for the financial statements normally required on SEC Form 10-Q.

DATES: Comments on this proposal must be submitted by September 16, 1987.

ADDRESSES: Comments, which should refer to Docket No. R-0609, should be sent to Mr. William W. Wiles, Secretary, Board of Governors of the Federal Reserve System, Washington, D. C. 20551. Comments may also be sent to Mr. Robert Fishman, Desk Officer, Office of Information and Regulatory Affairs, Office of Management and Budget, New Executive Office Building, Room 3208, Washington, D. C. 20503.

FOR FURTHER INFORMATION CONTACT: Walter R. McEwen, Attorney, Legal Division (202/452-3321), Kenneth M. Kinoshita, Attorney, Legal Division (202/452-3721), or Stanley C. Weidman, Senior Accountant/Analyst, Division of Banking Supervision and Regulation (202/452-3502); and for the hearing impaired only: Telecommunication Device for the Deaf, Earnestine Hill or Dorothea Thompson (202/452-3544), Board of Governors of the Federal Reserve System, Washington, D. C. 20551. Federal Reserve Paperwork Clearance Officer: Nancy Steele, Division of Research and Statistics (202/452-3822). Interested parties may also contact the OMB Desk Officer, Robert Fishman (202/395-6880).

SUPPLEMENTARY INFORMATION: State member banks issuing securities that are registered under §§ 12(b) or 12(g) of the Act, 15 U.S.C. §§ 78(b), (g), and certain of their principal shareholders, are required to file certain reports with the Board under the Board's Regulation F, 12 C.F.R. Part 206. The purpose of these reports is to provide investors in state member bank securities with information on these banks.

Pursuant to its authority under § 12(i) of the Act, 15 U.S.C. § 78(i), the Board proposes to amend its Regulation F (12 C.F.R. 206) in order to ensure that the disclosure required by the Board's securities regulation pursuant to section 12(i) of the Act, remains substantially similar to that required by the Securities and Exchange Commission.

The Board proposes the adoption of a requirement that banks subject to Regulation F file with the Board those forms and reports which would be required of an entity regulated by the SEC. This proposal requires state member banks subject to Regulation F to file that information which the SEC has determined to be warranted.

Proposed 12 C.F.R. 206.2 - Disclosure Requirements - provides that the rules, regulations and forms prescribed by the SEC pursuant to sections 12, 13, 14(a), 14(c), 14(d), 14(f) and 16 of the Act be followed by state member banks.

Accordingly, the Board would rescind 12 C.F.R.

§§ 206.41-206.82, the sections of Regulation F setting forth various forms. Adoption of this proposal would render several other sections of Regulation F superfluous. Accordingly, the Board also proposes to rescind 12 C. F. R. §§ 206.2, 206.3(d), 206.4, 206.5, 206.6, 206.7 and 206.8.

The Board recognizes that this proposal would require state member banks subject to Regulation F to submit audited annual financial statements as required by the SEC's Regulation S-X. The Board notes, however, that 33 of the 36

banks presently subject to Regulation F already submit audited annual financial statements and concludes that the value of the independent audit outweighs the burden imposed on those banks which presently do not furnish audited annual financial statements.

The proposal also includes an amendment to Regulation F to permit state member banks which have no foreign offices and total assets of less than \$100 million to elect to file quarterly financial statements on FFIEC Form 034, thus reducing the burden of compliance on those banks without adverse impact on the information gathering responsibilities of the Board. The proposal would permit such banks to elect to file either the balance sheet and income statement required by SEC Form 10-Q or the balance sheet and income statement required by FFIEC Form 034. FFIEC Form 034 is the least burdensome FFIEC call report form; it was designed for small commercial banks with no foreign offices. The basic information disclosed in FFIEC Form 034 is substantially similar to that required by SEC Form 10-Q, although the format of the two forms differs. Therefore, the Board concludes that no substantive purpose would be served by requiring a small state member bank to file two forms detailing similar information in different formats.

The Board proposes to permit Regulation F banks to make this election only if the net income, total assets and total equity capital in financial statements filed on FFIEC

Form 034 would not differ materially from corresponding amounts in financial statements required by Form 10-Q. FFIEC Form 034 is subject to certain regulatory reporting standards while Form 10-Q must be prepared in accordance with generally accepted accounting principles ("GAAP"). The Board concludes, however, that material regulatory reporting standards/GAAP differences are unlikely to occur in banks with less than \$100 million in assets. The Board expects that the 36 state member banks that are subject to the reporting requirements (and certain of their shareholders) will together take 5,713 hours to complete the forms. Assuming an estimated cost of \$20 per hour, the Board estimates the total reporting burden on the public to be approximately \$114,000 per annum.

List of Subjects in 12 C.F.R. Part 206

Accounting, Confidential business information, Federal Reserve System, Reporting and recordkeeping requirements, Securities.

For the reasons set out in this notice, and pursuant to the Board's authority under section 12(i) of the Securities Exchange Act of 1934 (15 U.S.C. 78), the Board proposes to amend 12 C.F.R. Part 206 as follows:

PART 206 - SECURITIES OF STATE MEMBER BANKS

1. The authority citation for Part 206 is revised to read as follows:

Authority: Sec. 12(i) of the Securities Exchange Act of 1934, as amended (15 U.S.C. 781(i)).

2. The Board proposes to revise section 206.1 to read as follows:

SECTION 206.1 - Authority, scope and purpose.

This part is issued by the Board of Governors of the Federal Reserve System (the "Board") pursuant to section 12(i) of the Securities Exchange Act of 1934 (15 U.S.C. 78) (the "Act") and applies to all securities subject to registration pursuant to section 12(b) or section 12(g) of the Act by a bank that is organized under State law and is a member of the Federal Reserve System ("bank"). This part vests in the Board, the powers, functions and duties vested in the Securities and Exchange Commission to administer and enforce sections 12, 13, 14(a), 14(c), 14(d), 14(f) and 16 of the Act with respect to State member banks.

3. The Board proposes to revise section 206.2 to read as follows:

SECTION 206.2 - Disclosure Requirements.

(a) With respect to any securities issued by a State member bank, the rules, regulations and forms adopted or amended by the Securities and Exchange Commission pursuant to sections 12, 13, 14(a), 14(c), 14(d), 14(f) and 16 of the Securities Exchange Act of 1934, shall apply to the securities issued by State member banks, except as otherwise provided in this part. The term "Commission" as used in those rules and regulations shall with respect to securities issued by State



member banks be deemed to refer to the Board unless the context otherwise requires.

(b) (1) Notwithstanding any definition in the rules and regulations promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, 15 U.S.C. §§ 78(a) et seq., any State member bank which has no foreign offices and has total assets of less than \$100 million as of the end of its most recent fiscal year may elect to include in the Form 10-Q the financial statements required in quarterly reports on either:

(i) the SEC's Form 10-Q ; or

(ii) the balance sheet and income statement from the Federal Financial Institutions Examination Council ("FFIEC") Form 034

(b) (2) Such a State member bank may not elect to file quarterly financial statements on FFIEC Form 034 if the information provided on FFIEC Form 034 reflects certain regulatory reporting standards and the reported amounts of net income, total assets or total equity capital would differ materially from financial statements prepared in accordance with generally accepted accounting principles ("GAAP").

(b) (3) A State member bank qualifying for and electing to use FFIEC Form 034 financial statements in Form 10-Q Quarterly Reports shall include earnings per share or net loss per share data required by GAAP and disclosure of

material contingencies, in the Management's Discussion and Analysis of Financial Condition and Results of Operations.

4. The Board proposes to amend section 206.3 by revising the section heading and paragraphs (a) and (b) and removing paragraph (d) to read as follows:

SECTION 206.3 - Filing; inspection, confidential information.

(a)(1) All papers required to be filed with the Board pursuant to the Act or regulations thereunder shall be filed with the Board by submitting such filings to the Division of Banking Supervision and Regulation, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, N. W., Washington, D. C. 20551. Material may be filed by delivery to the Board, through the mails, or otherwise. The date on which papers are actually received by the Board shall be the date of filing thereof if all of the requirements with respect to the filing have been complied with.

(2) No filing fees specified by the Commission's rules shall be paid to the Board.

(b) Copies of the registration statement, definitive proxy solicitation materials, reports and annual reports to shareholders required by § 206.2 (exclusive of exhibits) will be available for inspection at the Board's office in Washington, D. C., as well as at the New York, Chicago, and San Francisco Federal Reserve Banks and at the Reserve Bank in the district in which the reporting bank is located.

\* \* \* \* \*

5. Sections 206.4 through 206.8 are removed.

6. Sections 206.41 through 206.82 are removed.

Board of Governors of the Federal Reserve System,  
August 7, 1987.

(signed) William W. Wiles

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William W. Wiles