



FEDERAL RESERVE BANK
OF DALLAS

WILLIAM H. WALLACE
FIRST VICE PRESIDENT
AND CHIEF OPERATING OFFICER

June 20, 1988

DALLAS, TEXAS 75222

Circular 88-39

TO: The Chief Executive Officer of all
state member banks, bank holding
companies, and others concerned in
the Eleventh Federal Reserve District

SUBJECT

**Request for public comment on a proposed addition to Regulation H --
Membership of State Banking Institutions in the Federal Reserve System**

DETAILS

The Board of Governors of the Federal Reserve System has requested public comment on a proposed addition to Regulation H to facilitate public access to financial information regarding state member banks and U.S. branches and agencies of foreign banks.

Comments should be addressed to Mr. William W. Wiles, Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. Correspondence should refer to Docket No. R-0636 and must be received by August 19, 1988.

ATTACHMENTS

The Board's press release and the material as published in the Federal Register are attached.

MORE INFORMATION

For more information, please contact Dean A. Pankonien at (214) 651-6228.

Sincerely yours,

William H. Wallace

FEDERAL RESERVE press release



For immediate release

June 3, 1988

The Federal Reserve Board today issued for public comment a proposed addition to Regulation H (Membership of State Banking Institutions in the Federal Reserve System) to facilitate public access to financial information regarding state member banks.

The proposed addition to Regulation H would require state member banks to make available to shareholders and the public, full year-end Reports of Condition and Income (Call Reports) for the preceding two years or as a substitute, other specified financial reports which are routinely prepared by banks and that contain information equivalent to that presented in Call Reports.

The proposals also applies to U.S. branches and agencies of foreign banks.

Comment should be submitted to the Board by August 19, 1988.

The Board's notice is attached.

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Attachment

FEDERAL RESERVE SYSTEM**12 CFR Part 208****[Regulation H; Docket No. R-0636]****Membership of State Banking
Institutions in the Federal Reserve
System****AGENCY:** Board of Governors of the
Federal Reserve System.**ACTION:** Notice of proposed rulemaking.

SUMMARY: The Board of Governors of the Federal Reserve System proposes to amend Regulation H, 12 CFR Part 208. The purpose of the proposed amendment is to make available to the public information regarding the financial condition of State member banks and U.S. branches and agencies of foreign banks. The proposed amendment would require state member banks to make available to shareholders and any member of the public, upon request, information regarding each such bank's financial condition in the form of the bank's two most recent year-end Reports of Condition and Income ("Call Reports") (OMB No. 7100-0036). As alternatives to furnishing the Call Reports, at each bank's option, persons requesting such information could be given one of the following: (1) Specified schedules from the Call Reports; (2) in the case of a bank required to file statements and reports pursuant to Regulation H, a copy of the bank's annual report to shareholders for meetings at which directors are elected; (3) copies of independently audited financial statements (accompanied by a copy of the certificate or report of the independent auditor) if they contain information comparable to that presented in the Call Report schedules

specified for alternative (1) above; or (4) in the case of a state member bank that is the only bank subsidiary of a bank holding company, that is majority owned by that bank holding company, and has assets equal to 95 percent or more of the bank holding company's consolidated total assets: (A) A copy of the annual report of the one-bank holding company prepared in conformity with the regulations of the Securities and Exchange Commission; or (B) copies of those portions of the bank holding company's Form FR-Y-9C,

"Consolidated Financial Statements for Bank Holding Companies with Total Consolidated Assets of \$150 Million or More, or With More Than One Subsidiary Bank" (OMB No. 7100-0128), that are comparable to the Call Report schedules specified for alternative (1) above.

The proposed amendment would also require state licensed agencies of foreign banks and state licensed branches of such banks that are not insured by the Federal Deposit Insurance Corporation to make available, upon request, Call Report (OMB No. 7100-0032) Schedules RAL (Assets and Liabilities), E (Deposit Liabilities and Credit Balances), and P (Other Borrowed Money).

DATE: Comments must be received by August 19, 1988.

ADDRESS: Interested persons are invited to submit written comments to William W. Wiles, Secretary, Board of Governors of the Federal Reserve System, Washington, DC 20551, or to deliver such comments to Room B-2222, 20th & Constitution Avenue NW., Washington, DC, between 8:45 a.m. and 5:15 p.m. weekdays. Comments may be inspected in Room B-1122 between 8:45 a.m. and 5:15 p.m. weekdays, except as provided in § 261.6(a) of the Board's Rules Regarding Availability of Information. (12 CFR 261.6(a)). All written comments should refer to Docket No. R-0636.

FOR FURTHER INFORMATION CONTACT: Stephen L. Siciliano, Special Assistant to the General Counsel for Administrative Law, Legal Division (202/452-3920), Lorraine E. Waller, Attorney, Legal Division (202/452-3789), Frederick M. Struble, Associate Director, Division of Banking Supervision and Regulation (202/452-3794) or Roger H. Pugh, Manager, Policy Development Section, Division of Banking Supervision and Regulation (202/728-5883); or 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, DC 20551.

SUPPLEMENTARY INFORMATION: The proposed amendment to Regulation H would require state member banks to make available annually specified financial information to shareholders and members of the public, upon request.

The Federal Deposit Insurance Corporation, on December 17, 1987, adopted a final regulation requiring state-chartered banks that are not members of the Federal Reserve System to prepare annual disclosure statements that are to be made available to the public upon request. The Office of the Comptroller of the Currency adopted a final regulation similar to the FDIC's but applicable to national banks on February 10, 1988. The regulations of both Agencies also apply to U.S. branches and agencies of foreign banks that are regulated by those Agencies.

The Board's proposed regulation would require state member banks to make available each year the most recent year-end Report of Condition and Income ("Call Report") together with the Call Report for the prior year-end. Alternatively, a state member bank could fulfill the disclosure requirement of the proposed regulation by making available: (1) Certain specified schedules from the Call Reports; (2) annual reports to shareholders; (3) independently audited financial statements; or (4) in the case of a state member bank that is the only bank subsidiary of a bank holding company, is majority owned by that bank holding company, and has assets equal to 95 percent or more of the bank holding company's consolidated total assets, the bank holding company's annual reports filed with the SEC or its consolidated financial statements filed with the Board pursuant to Regulation Y.

The Board's proposed regulation would also require state licensed agencies of foreign banks and state licensed branches of such banks that are not insured by the Federal Deposit Insurance Corporation to make available, upon request, Call Report Schedules RAL (Assets and Liabilities), E (Deposit Liabilities and Credit Balances), and P (Other Borrowed Money).

The purpose of the proposed regulation is to make available to the public information regarding the financial condition of state member banks and U.S. branches and agencies of foreign banks. The information made available pursuant to this regulation will most likely be of particular interest to shareholders and to persons doing business with such institutions. The regulation is not intended to affect the

legal rights of shareholders and other persons under state and federal laws or contractual obligations between banks and other persons.

The information required to be disclosed under the proposed regulation is information that is publicly available and that is routinely disclosed upon request pursuant to the Freedom of Information Act (5 U.S.C. 552) and the Board's regulations implementing that Act. The proposed regulation does not address the disclosure obligations of banks and bank holding companies under federal and state securities laws. The proposed regulation is structured to facilitate the disclosure of information that is properly in the public domain in a manner that imposes the least possible burden on state member banks and other covered institutions. Banks and other institutions would not be required to prepare new reports, but would be required only to make available upon request reports or other financial information that they already prepare. The regulation also would require banks and other covered institutions to notify shareholders and the public of the availability of these reports. In the case of shareholders, the proposed regulation specifies that notification be made in the form of a written announcement that may be included with the notice of the annual shareholders meeting. In the case of the public the regulation does not specify the means to be used to provide notification. The Board notes, in this regard, that state member banks presently are required to publish the balance sheet portion of their call reports pursuant to § 208.10 of Regulation H.

State member banks, and Board-regulated U.S. branches and agencies of foreign banks would also be required to inform persons receiving information pursuant to the proposed regulation that the Board is not responsible for its accuracy or completeness. The Board notes, however, that such state member banks are required to prepare the Call Reports by 12 U.S.C. 324 and § 208.10 of Regulation H (12 CFR 208.10), that U.S. branches and agencies of foreign banks are subject to the reporting requirements of 12 U.S.C. 3105(b), and that the filing of false reports with an agency of the United States is a federal crime (18 U.S.C. 1001, 1005). In addition, the content and accuracy of reports to shareholders and of audited financial statements are adequately addressed by other Federal and state laws.

The proposed regulation addresses only the disclosure to the public of the documents identified in proposed § 208.17(d).

Comment is requested on all matters associated with the proposed regulation including, but not limited to, the need for the proposal, any burden associated with the proposal, and any possible modifications to the proposal that may facilitate the achievement of its purpose.

Regulatory Flexibility Act Analysis

Pursuant to section 605(b) of the Regulatory Flexibility Act (Pub. L. No. 96-354, 5 U.S.C. 601 *et seq.*), the Board certifies that the proposed regulation will not have a significant economic impact on a substantial number of small entities. The proposed regulation merely requires state member banks to make available to the public copies of reports that they already prepare.

The proposed amendment would not result in the creation of any new "collection of information requirement" within the meaning of the Paperwork Reduction Act (44 U.S.C. 3502) or OMB regulations on controlling paperwork burdens (5 CFR 1320.7(c)). The proposal would not require the creation of any new reports, only the wider dissemination of reports that state member banks are already required to prepare and that have already received OMB approval. The only additional requirement proposed is that state member banks make these reports available to shareholders and members of the public, and that they inform members of the public and shareholders that the information is publicly available. Thus, the proposal does not require state member banks to "obtain or compile information for the purpose of disclosure to members of the public or to the public at large * * *." (5 CFR 1320.7(c)(2)).

List of Subjects in 12 CFR Part 208

Membership, Banks, Accounting, Confidential business information, Federal Reserve System, Reporting and recordkeeping requirements, Securities, Disclosures of financial information.

For the reasons set out in this notice, and pursuant to the Board's authority under section 11 of the Federal Reserve Act of 1913, as amended (12 U.S.C. 248), and section 7 of the International Banking Act of 1978 (12 U.S.C. 3105(b)) the Board proposes to amend 12 CFR Part 208 as follows:

PART 208—MEMBERSHIP OF STATE BANKING INSTITUTIONS IN THE FEDERAL RESERVE SYSTEM

1. The authority citation for Part 208 is revised to read as follows:

Authority: 12 U.S.C. 248, 321-338, 486, 1814, 3105(b), 3907, 3909 and 15 U.S.C. 781(i).

2. Section 208.17 is added to read as follows:

§ 208.17 Disclosure of financial information by State member banks.

(a) *Purpose and scope.* The purpose of this section is to facilitate the dissemination of publicly available information regarding the financial condition of State member banks, State licensed agencies of foreign banks, and State licensed branches, of foreign banks, that are not insured by the Federal Deposit Insurance Corporation. This section requires all state-chartered banks that are members of the Federal Reserve System and all other covered institutions: to make year-end Call Reports or Reports of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks or, in the case of state member banks, other alternative financial information available to shareholders, customers, and the general public upon request; and to advise shareholders and the public of the availability of this information. This section does not amend or modify the publication requirements for section 208.10, or any other section of this regulation.

(b) *Definitions.* For the purposes of this section, the following definitions apply:

(1) "Call Report" means the Consolidated Reports of Condition and Income (OMB No. 7100-0036) filed pursuant to 12 U.S.C. 324 and 208.10 of this regulation (12 CFR 208.10).

(2) "State member bank" means a bank that is chartered by a State and is a member of the Federal Reserve System.

(3) "Other covered institutions" means state licensed agencies of foreign banks, or state licensed branches of foreign banks that are not insured by the Federal Deposit Insurance Corporation.

(c) *Availability of financial information*—(1) *Shareholders.* Each state member bank shall advise its shareholders, by a written announcement, which may be included in the notice of the annual shareholder's meeting, that certain financial information is available upon request. The announcement shall include, at a minimum, an address or telephone number to which requests may be directed.

(2) *General public.* State member banks and other covered institutions shall use other reasonable means at their disposal to advise the public of the availability of information pursuant to this section.

(d) *Financial information to be provided by state member banks.* State member banks may fulfill the

requirements of this section by providing, upon request, the following information as soon as it becomes available:

(1) Copies of their entire Call Reports for the most recent year end and the prior year end, excluding any information for which confidential treatment is permitted pursuant to the Call Report instructions; or

(2) Copies of only the following schedules from their Call Reports for the most current year end and the prior year end, excluding any information for which confidential treatment is permitted pursuant to the Call Report instructions:

- (i) Schedule RC (Balance Sheet);
- (ii) Schedule RC-N (Past Due and Nonaccrual Loans and Leases);
- (iii) Schedule RI (Income Statement);
- (iv) Schedule RI-A (Changes in Equity Capital);

(v) Schedule RI-B (Charge-offs and Recoveries and Changes in Allowance for Loan and Lease Losses)—Part I may be omitted; or

(3) In the case of a bank required to file statements and reports pursuant to the Board's Regulation H, 12 CFR Part 208, a copy of the bank's annual report to shareholders for meetings at which directors are to be elected or the bank's annual report; or

(4) In the case of a bank with independently audited financial statements copies of the audited financial statements, and the certificate or report of the independent accountant if such statements contain information comparable to that specified in subsection (d)(2); or

(5) In the case of a bank that is the only bank subsidiary of a bank holding company, is majority owned by that bank holding company, and has assets equal to 95 percent or more of the bank holding company's consolidated total assets, a copy of either:

(i) The annual report of the bank holding company prepared in conformity with the regulations of the Security and Exchange Commission, 17 CFR 240.13a-1; or

(ii) The sections in the bank holding company's consolidated financial statements on Form FR-Y-9C ("Consolidated Financial Statements for Bank Holding Companies With Total Consolidated Assets of \$150 Million or More, or With More Than One Subsidiary Bank" (OMB No. 7100-0128)) prepared pursuant to the Board's Regulation Y, 12 CFR Part 225, and comparable to the Call Report schedules enumerated in paragraph (d)(2) of this section.

(e) *Financial information to be provided by other covered institutions.* Other covered institutions may fulfill the requirements of this section by providing, upon request, as soon as it becomes available, the following schedules from the Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (OMB No. 7100-0032) for the most recent year end and the prior year end:

- (1) Schedule RAL (Assets and Liabilities);
- (2) Schedule E (Deposit Liabilities and Credit Balances);
- (3) Schedule P (Other Borrowed Money).

(f) *Disclaimer.* The following legend shall be included with any financial information provided pursuant to this section: "This financial information has not been reviewed, or confirmed for accuracy or relevance, by the Board of Governors of the Federal Reserve System."

Board of Governors of the Federal Reserve System, May 19, 1988.

William W. Wiles,

Secretary of the Board.

[FR Doc. 88-11782 Filed 5-26-88; 8:45 am]

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