



FEDERAL RESERVE BANK  
OF DALLAS

WILLIAM H. WALLACE  
FIRST VICE PRESIDENT  
AND CHIEF OPERATING OFFICER

April 27, 1990

DALLAS, TEXAS 75222

Circular 90-24

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

**SUBJECT**

**Comments on Proposed Revisions to Regulation P**

**DETAILS**

The Federal Reserve Board has requested public comment on proposed revisions to Regulation P, Minimum Security Devices and Procedures for Federal Reserve Banks and State Member Banks. Comment is requested by June 4, 1990.

The proposed revisions primarily update the current rule, simplify and clarify the rule's existing areas of flexibility, eliminate many obsolete or technical requirements particularly those in appendix A, and delete references to required reports following elimination of reporting requirements in this area by the Financial Institutions Reform, Recovery and Enforcement Act of 1989.

The proposed revisions do not otherwise substantively change the regulation, which is already relatively brief and flexible, and add no new regulatory burdens.

**ATTACHMENTS**

Copies of the Board's notice appearing in the Federal Register are attached.

**MORE INFORMATION**

For more information, please contact Jane Anne Schmoker at (214) 651-6228. For additional copies of this circular, please contact the Public Affairs Department at (214) 651-6289.

Sincerely yours,

A handwritten signature in cursive script that reads "William H. Wallace".

For additional copies of any circular please contact the Public Affairs Department at (214) 651-6289. Banks and others are encouraged to use the following incoming WATS numbers in contacting this Bank (800) 442-7140 (intrastate) and (800) 527-9200 (interstate).

**FEDERAL RESERVE SYSTEM****12 CFR Part 216**

[Regulation P; Docket No. R-0688]

RIN 7100-AA69

**Security Devices and Procedures****AGENCY:** Board of Governors of the Federal Reserve System.**ACTION:** Proposed rule.

**SUMMARY:** The Board of Governors of the Federal Reserve System ("Board"), in coordination with the other bank supervisory agencies, has reviewed Regulation P—Security Devices and Procedures—and determined that it is appropriate to revise the regulation to reflect changes in the technology of security devices, and to implement changes made by the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA"). The revision incorporates amendments made to the Bank Protection Act of 1968 by FIRREA and provides banks with the flexibility to avoid the technical obsolescence that occurred with the existing regulation.

**DATES:** Comments should be received by June 4, 1990.

**ADDRESSES:** Comments, which should refer to Docket No. R-0688, may be mailed to the Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue NW., Washington, DC 20551, to the attention of Mr. William W. Wiles, Secretary; or delivered to room B-2223 between 8:45 a.m. and 5:15 p.m. Comments may be inspected in room B-1122 between 9 a.m. and 5 p.m., except as provided in § 261.8 of the Board's Rules Regarding Availability of Information, 12 CFR 261.8.

**FOR FURTHER INFORMATION CONTACT:** Norah M. Barger, Senior Financial Analyst (202/452-2402), Division of Banking Supervision and Regulation, Elaine M. Boutilier, Senior Attorney (202/452-2418), Legal Division, or Thomas A. Durkin, Regulatory Planning and Review Director (202/452-2326), Office of the Secretary, Board of Governors of the Federal Reserve System, Washington, DC 20551. For the hearing impaired *only*, Telecommunication Device for the Deaf ("TDD"), Earnestine Hill or Dorothea Thompson (202/452-3544).

**SUPPLEMENTARY INFORMATION:** The Bank Protection Act of 1968 requires the federal financial institution supervisory agencies to establish minimum standards for bank security devices and procedures to discourage bank crime

and to assist in the identification of persons who commit such crimes. 12 U.S.C. 1882. To implement this statute a uniform regulation was adopted in 1969 by each of the supervisory agencies—Comptroller of the Currency, Federal Deposit Insurance Corporation, Federal Home Loan Bank Board (now known as the Office of Thrift Supervision), and the Board. With the exception of minor changes in 1973 and 1981, this regulation has not been modified since it was first adopted.

The existing regulation's appendix recommends specific types of security devices to be used by banks. Due to the advancement of technology in security devices, these recommendations now reference obsolete equipment. For example, the requirements for surveillance systems states that the film used in the camera should be capable of operating not less than three minutes and the film should be at least 16mm. Today's camera systems are more likely to be continuous video cameras.

The Board believes that any standards that reference specific security devices are likely to become obsolete because technology is continuing to advance at a rapid pace. To avoid the necessity of constantly updating required security devices, the Board's proposed regulation takes a more flexible approach. It requires each bank to designate a security officer who will administer a written security program. The proposed regulation states that the security program shall include certain procedures, and requires, at a minimum, that four specific security devices be installed, but leaves it to the discretion of the security officer, to determine which additional security devices will best meet the needs of the program. In this way the security officer can choose the most up-to-date equipment that meets the requirements of his particular bank. This approach also addresses the difficulty caused by establishing specific standards to apply to all banks regardless of the incidence of crime in their neighborhood.

The board believes that this proposed regulation complies with the requirements of the Bank Protection Act. That Act requires that the supervisory agencies issue minimum standards for the installation, operation and maintenance of security devices and procedures. The proposed regulation establishes a minimum standard by requiring four specified security devices. These four devices are: a secure space for cash; a lighting system for illuminating the vault; an alarm system; and tamper resistant locks on exterior doors and windows. In addition, the

proposed regulation establishes the contents of a security program, *e.g.* procedures for opening and closing for business, for safekeeping of valuables, and for identifying persons committing crimes. These are the minimum procedures that should comprise a bank's security program. To assist banks in establishing their program, the regulation suggests certain factors to be considered when selecting additional security devices.

To ensure that a bank's security program is reviewed on a regular basis for effectiveness, the proposed regulation requires a report to be made by the security officer to the bank's board of directors at least annually. This changes the current requirement, which was eliminated by FIRREA, that reports must be filed periodically with a bank's primary supervisory agency.

The following is a section-by-section analysis showing the modifications to the existing regulation:

#### *Section 216.0—Scope of Part*

This section has been rewritten as new § 216.1. The description of the regulation has been changed to emphasize the responsibility of a bank's board of directors to ensure that the bank adopts and maintains appropriate security procedures.

#### *Section 216.1—Definitions*

The "Definitions" section has been eliminated, and any definition needed has been provided where the defined word is first used.

#### *Section 216.2—Designation of Security Officer*

This section is now contained, with minor changes, in new § 216.2.

#### *Section 216.3—Security Devices*

Subpart (a)—The concept of the security officer surveying the need for security devices is contained in new § 216.2(b)(4). The required minimum security devices for each bank set forth in § 216.3 (a) (1)–(4) are now set forth in new § 216.3(b) (1)–(5), with the addition of a requirement for a secure space to protect cash or other liquid assets.

Subpart (b)—This subpart has been included in new § 216.3(b) (5).

Subpart (c)—This is the exception language allowing a bank to not comply with the specifics of the regulation so long as it preserved a statement of the reasons in its records. Because the specificity of the regulation has been eliminated, this section has been deleted.

#### *Section 216.4—Security Procedures*

Subpart (a)—The implementation requirements are now found in new § 216.2.

Subpart (b)—This subpart has been revised to combine similar functions and is found at new § 216.3.

#### *Section 216.5—Filing of Reports*

Subpart (a)—The requirement for filing reports regularly with the regulatory agency has been changed to require annual reports to the bank's board of directors. This is found at new § 216.4.

Subpart (b)—The requirement of internal recordkeeping of external crimes in now a suggested procedure under § 216.3(a)(2).

Subpart (c)—The requirement for special reports whenever requested by the regulatory agency has been eliminated as unnecessary because an agency can obtain such reports through its regular supervisory powers.

#### *Section 216.6—Corrective Action*

This section has been eliminated because it is covered under the agency's supervisory authority to prevent unsafe and unsound practices.

#### *Section 216.7—Applicability to Federal Reserve Banks*

This section has been revised and renumbered as new § 216.5.

#### *Section 216.8—Penalty Provision*

This section has been eliminated as unnecessary because it is contained in the statute and need not be set forth in the regulation.

#### *Appendix A and B*

Both appendices have been deleted. Appendix A was considered to be too specific and had become obsolete. Any specific new requirements would also have to be updated with advances in technology. Therefore, the draft regulation has been changed to be very general, with the requirement that the bank determine what is the best means of protecting itself and identifying criminals.

Appendix B concerns actions to be taken by employees in the case of a robbery. This has been deleted because it is included in the list of suggested procedures to be established under the security program required by § 216.3(a).

Approval of the proposed amendments to Regulation P would eliminate the need for information that the Board currently requires state member banks to maintain and submit in three reports: FR 4003 (Statement Regarding Security Devices That Do Not Meet the Minimum Requirements of

Regulation P), FR 4004 (Written Security Program for State Member Banks as Required by Regulation P), and FR 4005 (Annual Statement of Compliance with the Bank Protection Act of 1968). The Board therefore proposes to discontinue the FR 4003, FR 4004, and FR 4005 reports, effective with final approval of the proposed amendments to Regulation P. In accordance with section 3507 of the Paperwork Reduction Act of 1980, (44 U.S.C. 3507, and 5 CFR 1320.13), the proposed discontinuance of those reports will be reviewed by the Board under Office of Management and Budget delegated authority after consideration of the comments received during the public comment period.

#### **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 amendment will not have a significant economic impact on a substantial number of small entities. Small entities already are required to comply with the security standards established in the existing regulation, and this amendment provides for more flexibility in devising security programs, which should help minimize the existing costs to the institutions. The amendment also replaces required reports to the government with annual reports to the bank's board of directors, which should ease the regulatory burden on small institutions.

#### **List of Subjects in 12 CFR Part 216**

Banks, Banking, Federal Reserve System, Reporting and recordkeeping requirements, Security measures, state member banks.

For the reasons set out in the preamble, title 12, part 216 of the Code of Federal Regulations is proposed to be revised to read as follows:

#### **PART 216—SECURITY PROCEDURES**

- Sec.  
216.1 Authority, purpose and scope.  
216.2 Designation of security officer.  
216.3 Security program.  
216.4 Report.  
216.5 Federal Reserve Banks.

Authority: 12 U.S.C. 1881–1884.

#### **§ 216.1 Authority, purpose, and scope.**

(a) This regulation is issued by the Board of Governors of the Federal Reserve System (the "Board") pursuant to section 3 of the Bank Protection Act of 1968 (12 U.S.C. 1882). It applies to Federal Reserve Banks and state banks that are members of the Federal Reserve System. It requires each bank to adopt

appropriate security procedures to discourage robberies, burglaries, and larcenies and to assist in identifying and apprehending persons who commit such acts.

(b) It is the responsibility of the member bank's board of directors to comply with this regulation and ensure that a security program for the bank's main office and branches is developed and implemented.

**§ 216.2 Designation of security officer.**

Within 30 days after a state bank becomes a member of the Federal Reserve System, the bank's board of directors shall designate a security officer who shall have the authority, subject to the approval of the Board of directors, for immediately developing and administering a written security program, to protect each banking office from robberies, burglaries, and larcenies and to assist in identifying and apprehending persons who commit such acts.

**§ 216.3 Security program.**

(a) *Contents of security program.* The security program shall:

(1) Establish procedures for opening and closing for business and for the safekeeping of all currency, negotiable securities, and similar valuables at all times;

(2) Establish procedures that will assist in identifying persons committing crimes against the institution and that will preserve evidence that may aid in their identification or conviction; such

procedures may include, but are not limited to:

(i) Retaining a record of any crime committed against the bank;

(ii) Maintaining a camera that records activity in the banking office; and

(iii) Using identification devices, such as bait money, dye packs or electronic tracking devices;

(3) Provide for initial and periodic training of employees in their responsibilities under the security program and in proper employee conduct during and after a robbery; and

(4) Provide for selecting, testing, operating and maintaining appropriate security devices, as specified in paragraph (b) of this section.

(b) *Security devices.* Each member bank shall have, at a minimum, the following security devices:

(1) A means of protecting cash or other liquid assets, such as a vault, safe, or other secure space;

(2) A lighting system for illuminating, during the hours of darkness, the area around the vault, if the vault is visible from outside the banking office;

(3) An alarm system or other appropriate device for promptly notifying the nearest responsible law enforcement officers of an attempted or perpetrated robbery or burglary;

(4) Tamper-resistant locks on exterior doors and exterior windows designed to be opened; and

(5) Such other devices as the security officer determines to be appropriate, taking into consideration:

(i) The incidence of crimes against financial institutions in the area;

(ii) The amount of currency or other valuables exposed to robbery, burglary, and larceny;

(iii) The distance of the banking office from the nearest responsible law enforcement officers;

(iv) The cost of the security devices;

(v) Other security measures in effect at the banking office; and

(vi) The physical characteristics of the structure of the banking office and its surroundings.

**§ 216.4 Report.**

The security officer for each member bank shall report at least annually to the bank's board of directors on the effectiveness of the security program.

**§ 216.5 Federal Reserve Banks.**

Each Reserve Bank shall develop and maintain a security program for its main office and branches subject to review and approval of the Board.

By order of the Board of Governors of the Federal Reserve System, April 2, 1990.

William W. Wiles,  
*Secretary of the Board.*

[FR Doc. 90-7964 Filed 4-5-90; 8:45 am]

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