



**FEDERAL RESERVE BANK  
OF DALLAS**

ROBERT D. McTEER, JR.  
PRESIDENT  
AND CHIEF EXECUTIVE OFFICER

DALLAS, TEXAS  
75265-5906

May 8, 1995

**Notice 95-43**

**TO:** The Chief Executive Officer of each  
state member bank and bank holding company  
in the Eleventh Federal Reserve District

**SUBJECT**

**Final Amendments to Regulation O  
(Loans to Executive Officers, Directors, and  
Principal Shareholders of Member Banks)**

**DETAILS**

The Board of Governors of the Federal Reserve System is revising Regulation O (Loans to Executive Officers, Directors, and Principal Shareholders of Member Banks) to implement a recent amendment to Section 22(g) of the Federal Reserve Act of 1994. The revision provides that prior approval of the board of directors is not required before a member bank may make a loan to an executive officer that is secured by a first lien on the executive officer's residence.

The amendment became effective April 7, 1995.

**ATTACHMENT**

A copy of the Board's notice as it appears on pages 17635-36, Vol. 67, No. 60, of the Federal Register dated April 7, 1995, is attached.

**MORE INFORMATION**

For more information, please contact Jane Anne Schmoker at (214) 922-5101. For additional copies of this Bank's notice, please contact the Public Affairs Department at (214) 922-5254.

Sincerely yours,

*Robert D. McTeer, Jr.*

**FEDERAL RESERVE SYSTEM****12 CFR Part 215****[Regulation O; Docket No. R-0874]****Loans to Executive Officers, Directors, and Principal Shareholders of Member Banks; Loans to Holding Companies and Affiliates****AGENCY:** Board of Governors of the Federal Reserve System.**ACTION:** Final rule.

**SUMMARY:** The Board is revising Regulation O to implement a recent amendment to section 22(g) of the Federal Reserve Act, contained in the Riegle Community Development and Regulatory Improvement Act of 1994. The revision provides that prior approval of the board of directors is not required before a member bank may make a loan to an executive officer that is secured by a first lien on the executive officer's residence.

**EFFECTIVE DATE:** April 7, 1995.

**FOR FURTHER INFORMATION CONTACT:** Gordon Miller, Attorney (202/452-2534), Legal Division, Board of Governors of the Federal Reserve System. For the hearing impaired only, Telecommunications Device for the Deaf (TDD), Dorothea Thompson (202/452-3544).

**SUPPLEMENTARY INFORMATION****Background**

The Riegle Community Development and Regulatory Improvement Act of 1994 (CDR Act), Pub. L. 103-325, 108 Stat. 2160 (1994), effective September 23, 1994, amended section 22(g) of the Federal Reserve Act, 12 U.S.C. 375a, to eliminate the requirement that prior approval of the board of directors be granted before a member bank may make a loan to an executive officer of the member bank that is secured by a first lien on the executive officer's residence. Such loans remain subject to the general requirement for prior approval under section 22(h) of the Federal Reserve Act. See 12 U.S.C. 375b(3); 12 CFR 215.4(b). The Board is revising Regulation O (12 CFR Part 215), effective April 7, 1995, to conform to the amendment.

***Need for Final Rule Without Comment***

The elimination of the prior approval requirement for loans to an executive officer secured by a first lien on the executive officer's residence was effective immediately upon enactment of the CDR Act, and required no action on the part of the Board to take effect. The Board therefore finds that it is

necessary to revise Regulation O in order to eliminate a requirement that is superseded by the CDR Act, and to clarify that member banks may take advantage of the recent amendment to section 22(g) of the Federal Reserve Act.

The Board, for good cause, finds that the notice and public comment procedure normally required is impractical, unnecessary, and contrary to the public interest under 5 U.S.C. 553(b)(B). The Board further finds under 5 U.S.C. 553(d)(1) that the final rule is a substantive rule that relieves a restriction on lending and therefore is making the final rule effective on April 7, 1995, without regard for the 30-day period provided for in 5 U.S.C. 553(d).

#### *Final Regulatory Flexibility Analysis*

The Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*) requires an agency to publish a final regulatory flexibility analysis at the time it promulgates a final rule. One of the requirements of a final regulatory flexibility analysis, a succinct statement of the need for, and objectives of, the final rule (5 U.S.C. 604(a)(1)), is contained in the supplementary information above. For the reasons stated above concerning the need for public comment, the Board has not sought public comment on the final rule, and the Board has not considered any alternatives to the final rule.

#### *Paperwork Reduction Act*

In accordance with the Paperwork Reduction Act of 1980, 44 U.S.C. 3507, and 5 CFR 1320.130, the Board, under authority delegated by the Office of Management and Budget, has reviewed its amendments to Regulation O. The Board has determined that its final rule imposes no additional reporting or recordkeeping requirements, and that there are no relevant federal rules that duplicate, overlap, or conflict with the proposed rule. The final rule will apply to all member banks, regardless of size. The final rule should not have a negative economic impact on small institutions. Instead, the rule should relieve the regulatory burden on all member banks.

#### **List of Subjects in 12 CFR Part 215**

Credit, Federal Reserve System, Penalties, Reporting and recordkeeping requirements.

For the reasons set forth in the preamble, the Board is amending 12 CFR Part 215, as set forth below:

#### **PART 215—LOANS TO EXECUTIVE OFFICERS, DIRECTORS, AND PRINCIPAL SHAREHOLDERS OF MEMBER BANKS (REGULATION O)**

1. The authority citation for part 215 continues to read as follows:

**Authority:** 12 U.S.C. 248(i), 375a(10), 375b(9) and (10), 1817(k)(3) and 1972(2)(G)(ii); Pub. L. 102-242, 105 Stat. 2236.

2. In § 215.5, paragraph (c)(2) introductory text is revised to read as follows:

#### **§ 215.5 Additional restrictions on loans to executive officers of member banks.**

\* \* \* \* \*

(c) \* \* \*

(2) In any amount to finance or refinance the purchase, construction, maintenance, or improvement of a residence of the executive officer, provided:

\* \* \* \* \*

By order of the Board of Governors of the Federal Reserve System, April 3, 1995.

**William W. Wiles,**

*Secretary of the Board.*

[FR Doc. 95-8578 Filed 4-6-95; 8:45 am]

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