



FEDERAL RESERVE BANK  
OF DALLAS

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

DALLAS, TEXAS  
75265-5906

November 25, 1998

**Notice 98-109**

**TO:** The Chief Executive Officer of each  
financial institution and others concerned  
in the Eleventh Federal Reserve District

**SUBJECT**

**Final Rule and Technical Amendments to  
Regulations H, K, O, and Y**

**DETAILS**

The Board of Governors of the Federal Reserve System published an amendment to Regulation H (*Membership of State Banking Institutions in the Federal Reserve System*) that appeared in the *Federal Register* on July 13, 1998. This document corrects cross references to Regulation H that appear in Regulations H, K, O, Y, the Rules of Practice for Hearings, and the Rules Regarding Delegation of Authority.

The amendments became effective November 2, 1998.

**ATTACHMENT**

A copy of the Board's notice as it appears on pages 58620-22, Vol. 63, No. 211 of the *Federal Register* dated November 2, 1998, is attached.

**MORE INFORMATION**

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

Sincerely yours,

*Robert D. McTeer, Jr.*

---

For additional copies, bankers and others are encouraged to use one of the following toll-free numbers in contacting the Federal Reserve Bank of Dallas: Dallas Office (800) 333-4460; El Paso Branch *Intrastate* (800) 592-1631, *Interstate* (800) 351-1012; Houston Branch *Intrastate* (800) 392-4162, *Interstate* (800) 221-0363; San Antonio Branch *Intrastate* (800) 292-5810.

**FEDERAL RESERVE SYSTEM****12 CFR Parts 208, 211, 215, 225, 262, 263, and 265**

[Regulations H, K, O, and Y; Docket No. R-1021]

**Membership of State Banking Institutions in the Federal Reserve System; International Banking Operations; Loans to Executive Officers, Directors, and Principal Shareholders of Member Banks; Bank Holding Companies and Change in Bank Control; Rules of Practice for Hearings; and Rules Regarding Delegation of Authority**

**AGENCY:** Board of Governors of the Federal Reserve System (Board).

**ACTION:** Final rule; technical amendments.

**SUMMARY:** The Board published an amendment to Regulation H (Membership of State Banking Institutions in the Federal Reserve System) that appeared in the **Federal Register** on July 13, 1998. This document corrects cross references to Regulation H that appear in Regulations H, K, O, Y, the Rules of Practice for Hearings, and the Rules Regarding Delegation of Authority (Parts 208, 211, 215, 225, 262, 263, and 265).

**EFFECTIVE DATE:** November 2, 1998.

**FOR FURTHER INFORMATION CONTACT:** Jean Anderson, Staff Attorney, Legal Division (202/452-3707). For the hearing impaired only, Telecommunications Device for the Deaf (TDD), Diane Jenkins (202/452-3544).

**SUPPLEMENTARY INFORMATION:**

**Background**

The Board published amendments to Regulation H (12 CFR part 208) in the **Federal Register** on July 13, 1998 (63 FR 37629), in order to reorganize, clarify, and reduce the burden of compliance with Subpart A of Regulation H. This document corrects cross references to Regulation H that appear in Regulations H, K, O, Y, the Rules of Practice for Hearings and the Rules Regarding Delegation of Authority (parts 208, 211, 215, 225, 262, 263, and 265).

**List of Subjects**

**12 CFR Part 208**

Accounting, Agriculture, Banks, banking, Confidential business information, Crime, Currency, Federal Reserve System, Mortgages, Reporting and recordkeeping requirements, Securities.

**12 CFR Part 211**

Exports, Federal Reserve System, Foreign banking, Holding companies, Investments, Reporting and recordkeeping requirements.

**12 CFR Part 215**

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

**12 CFR Part 225**

Administrative practice and procedure, Banks, banking, Federal Reserve System, Holding companies, Reporting and recordkeeping requirements, Securities.

**12 CFR Part 262**

Administrative practice and procedure, Federal Reserve System.

**12 CFR Part 263**

Administrative practice and procedure, Claims, Crime, Equal access to justice, Federal Reserve System, Lawyers, Penalties.

**12 CFR Part 265**

Authority delegations (Government agencies), Banks, banking, Federal Reserve System.

For the reasons set forth in the preamble, the Board is amending parts 208, 211, 215, 225, 262, 263, and 265 in chapter II of title 12 of the Code of Federal Regulations as follows:

**PART 208—MEMBERSHIP OF STATE BANKING INSTITUTIONS IN THE FEDERAL RESERVE SYSTEM (REGULATION H)**

1. The authority citation for part 208 continues to read as follows:

**Authority:** 12 U.S.C. 24, 36, 92a, 93a, 248(a), 248(c), 321-338a, 371d, 461, 481-486, 601, 611, 1814, 1816, 1818, 1823(j), 1828(o), 1831o, 1831p-1, 1831r-1, 1835a, 1882, 2901-2907, 3105, 3310, 3331-3351, and 3906-3909; 15 U.S.C. 78b, 78l(b), 78l(g), 78l(i), 78o-4(c)(5), 78q, 78q-1, and 78w; 31 U.S.C. 5318; 42 U.S.C. 4012a, 4104a, 4104b, 4106 and 4128.

2. In § 208.3, paragraph (c)(1)(ii) is amended by adding the acronym "CAMELS," after the word "received."

3. Section 208.3 is amended by revising the last sentence in paragraph (d)(1) to read as follows:

**§ 208.3 Application and conditions for membership in the Federal Reserve System.**

\* \* \* \* \*

(d) \* \* \*

(1) \* \* \* (The Interagency Guidelines Establishing Standards for Safety and Soundness and Year 2000 Standards for Safety and Soundness prescribed pursuant to section 39 of the FDI Act (12

U.S.C. 1831p-1), as set forth in appendices D-1 and D-2 to this part, apply to all member banks.)

\* \* \* \* \*

#### **§ 208.6 [Amended]**

4. In § 208.6, paragraph (c)(1)(ii) is amended by adding the acronym "CAMELS," on the third line after the word "received."

5. In Appendix A to part 208, the following amendments are made:

a. Section III.B.5.b. is amended by removing the reference to "(12 CFR 208.30)" and adding in its place "(12 CFR 208.40)."

b. Section III.B.5.d.(i) is amended by removing the reference to "(12 CFR 208.33(b))" and adding in its place "(12 CFR 208.43(b)(1))."

c. Section III.B.5.d.(ii) is amended by removing the reference to "(12 CFR 208.33(c))" and adding in its place "(12 CFR 208.43(c))."

6. In Appendix B to part 208, the following amendments are made:

a. Section II.d. is amended by removing the reference to "(12 CFR 208.30)" and adding in its place "(12 CFR 208.40)."

b. Section II.f.(i) is amended by removing the reference to "(12 CFR 208.33(b))" and adding in its place "(12 CFR 208.43(b)(1))."

c. Section II.f.(ii) is amended by removing the reference to "(12 CFR 208.33(c))" and adding in its place "(12 CFR 208.43(c))."

7. In Appendix C to part 208, in the paragraph immediately following the heading, footnote 5 is redesignated as footnote 1 and the new footnote 1 is amended by removing the reference to "12 CFR part 208, subpart C" and adding in its place "12 CFR part 208, subpart E."

#### **PART 211—INTERNATIONAL BANKING OPERATIONS (REGULATION K)**

1. The authority citation for part 211 continues to read as follows:

**Authority:** 12 U.S.C. 221 *et seq.*, 1818, 1835a, 1841 *et seq.*, 3101 *et seq.*, and 3901 *et seq.*

#### **§ 211.2 [Amended]**

2. In § 211.2, paragraph (u)(1) is amended by removing the reference to "12 CFR 208.33(b)(1)" and adding in its place "12 CFR 208.43(b)(1)."

#### **§ 211.8 [Amended]**

3. In § 211.8, the paragraph is amended by removing the reference to "§ 208.20" and adding in its place "§ 208.62" and by removing the reference to "12 CFR 208.20" and adding in its place "12 CFR 208.62."

#### **211.22 [Amended]**

4. In § 211.22, paragraph (d) is amended by removing the reference to "§ 208.28" and adding in its place "§ 208.7" and by removing the reference to "(12 CFR 208.28)" and adding in its place "(12 CFR 208.7)."

#### **§ 211.24 [Amended]**

5. In § 211.24, paragraph (f) is amended by removing the reference to "§ 208.20" and adding in its place "§ 208.62" and by removing the reference to "12 CFR 208.20" and adding in its place "12 CFR 208.62."

6. In § 211.24, paragraph (h) is amended by removing the reference to "12 CFR 208.25" and by adding in its place "12 CFR 208.37."

#### **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)(C)(ii); Pub.L. 102-242, 105 Stat. 2236.

#### **§ 215.3 [Amended]**

2. In § 215.3, paragraph (a)(3) is amended by removing the reference to "§ 208.8(d) of this chapter" and by adding in its place "§ 208.24 of this chapter."

#### **PART 225—BANK HOLDING COMPANIES AND CHANGE IN BANK CONTROL (REGULATION Y)**

1. The authority citation for part 225 continues to read as follows:

**Authority:** 12 U.S.C. 1817(j)(13), 1818, 1828(o), 1831i, 1831p-1, 1843(c)(8), 1844(b), 1972(l), 3106, 3108, 3310, 3331-3351, 3907, and 3909.

#### **§ 225.4 [Amended]**

2. In § 225.4, paragraph (d) is amended by removing the term "municipal securities dealer" from the heading and the phrase "a municipal securities dealer," from the text; by removing the reference to "§§ 208.8(0)-(j)" and adding in its place "§§ 208.31-208.33"; and by removing the reference to "(12 CFR 208.8(f)-(j))" and adding in its place "(12 CFR 208.31-208.33)."

3. In § 225.4, paragraph (f) is amended by removing the reference to "§ 208.20" and adding in its place "§ 208.62" and by removing the reference to "(12 CFR 208.20)" and by adding in its place "(12 CFR 208.62)."

#### **Appendix A to Part 225 [Amended]**

4. In Appendix A to part 225, section III.B.5.b. is amended by removing the

reference to "(12 CFR 208.30)" and adding in its place "(12 CFR 208.40)."

#### **PART 262—RULES OF PROCEDURE**

1. The authority citation for part 262 continues to read as follows:

**Authority:** 5 U.S.C. 552, 12 U.S.C. 321, 1828(c), and 1842.

#### **§ 262.3 [Amended]**

2. In § 262.3, paragraphs (b)(1)(i)(A) and (b)(1)(i)(C) are removed and paragraphs (b)(1)(i)(B), (b)(1)(i)(D), and (b)(1)(i)(E) are redesignated as paragraphs (b)(1)(i)(A) through (b)(1)(i)(C), respectively.

#### **PART 263—RULES OF PRACTICE FOR HEARINGS**

1. The authority citation for part 263 continues to read as follows:

**Authority:** 5 U.S.C. 504; 12 U.S.C. 248, 324, 504, 505, 1817(j), 1818, 1828(c), 1831o, 1831p-1, 1847(b), 1847(d), 1884(b), 1972(2)(F), 3105, 3107, 3108, 3907, 3909; 15 U.S.C. 21, 78o-4, 78o-5, 78u-2; and 28 U.S.C. 2461 note.

#### **§ 263.201 [Amended]**

2. In § 263.201, paragraph (a) is amended by removing the reference to "subpart B of part 208" and adding in its place "subpart D of part 208."

#### **§ 263.203 [Amended]**

3. In § 263.203, paragraph (a)(1)(i)(A) is amended by removing the reference "§ 208.33(c) of Regulation H (12 CFR 208.33(c))" and by adding in its place "208.43(c) of Regulation H (12 CFR 208.43(c))."

#### **§ 263.205 [Amended]**

4. In § 263.205, paragraph (b)(2) is amended by removing the reference to "subpart B of Regulation H (12 CFR part 208, subpart B)" and adding in its place "subpart D of Regulation H (12 CFR part 208, subpart D)."

#### **PART 265—RULES REGARDING DELEGATION OF AUTHORITY**

1. The authority citation for part 265 continues to read as follows:

**Authority:** 12 U.S.C. 248(i) and (k).

#### **§ 265.7 [Amended]**

2. In 265.7, paragraphs (f)(6)(i) and (ii) are amended by removing the reference to "§ 208.16" and adding in their place "§ 208.36."

3. Section 265.11 is amended as follows:

a. Paragraph (a)(7) is amended by removing the reference to "(12 CFR 208.11(c))" and adding in its place "(12 CFR 209.3(e))."

b. Paragraph (e)(1) is revised.

c. Paragraph (e)(3) is revised.

d. Paragraph (e)(4) introductory text is revised.

e. Paragraph (e)(5) introductory text is revised.

f. Paragraph (e)(7) is revised.

g. Paragraph (e)(8) is amended by removing the reference to "Regulation P (12 CFR 216)" and adding in its place "Regulation H (12 CFR part 208)."

h. Paragraph (e)(12) is revised.

The revisions read as follows:

**§ 265.11 Functions delegated to Federal Reserve Banks.**

\* \* \* \* \*

(e) *Member banks*—(1) *Approval of membership applications*. To approve applications for membership in the Federal Reserve System under section 9 of the Federal Reserve Act (12 USC 321 *et seq.*) and Regulation H (12 CFR part 208) if the Reserve Bank is satisfied that approval is warranted after considering the factors set forth in 12 CFR 208.3(b).

\* \* \* \* \*

(3) *Approval of branch applications*. To approve a state member bank's establishment of a domestic branch under section 9 of the Federal Reserve Act (12 USC 321 *et seq.*) and Regulation H (12 CFR part 208) if the Reserve Bank is satisfied that approval is warranted after considering the factors set forth in 12 CFR 208.6(b).

(4) *Declaration of dividends in excess of net profits*. To permit a state member bank under section 9(6) of the Federal Reserve Act (12 USC 324 and 60) to declare dividends in excess of the amounts allowed in 12 CFR 208.5(c) if the Reserve Bank is satisfied that approval is warranted after giving consideration to:

\* \* \* \* \*

(5) *Reduction of capital stock*. To permit a state member bank under section 9(11) of the Federal Reserve Act (12 USC 239) to reduce its capital stock below the amounts set forth in 12 CFR 208.5(d) if the state member bank's capitalization thereafter will be:

\* \* \* \* \*

(7) *Investment in bank premises in excess of capital stock*. To permit a state member bank to invest in bank premises under section 24A of the Federal Reserve Act (12 USC 371a) in an amount in excess of that set forth in 12 CFR 208.21(a), if the Reserve Bank is satisfied that approval is warranted after giving consideration to the bank's capitalization in relation to the character and condition of its assets and to its deposit liabilities and other corporate responsibilities, including the volume of its risk assets and of its marginal and inferior quality assets, all

considered in relation to the strength of its management.

\* \* \* \* \*

(12) *Public welfare investments*. To permit a state member bank to make a public welfare investment that meets the conditions of 12 CFR 208.22(b)(1)–(3), (b)(5) and (b)(7), if the Reserve Bank is satisfied that:

(i) The state member bank received at least an overall rating of "3" as of its most recent consumer compliance examination; and

(ii) The aggregate of all such investments of the state member bank does not exceed 10 percent of its capital stock and surplus as defined under 12 CFR 208.2(d).

\* \* \* \* \*

By order of the Board of Governors of the Federal Reserve System, October 26, 1998.

**Jennifer J. Johnson,**

*Secretary of the Board.*

[FR Doc. 98–29097 Filed 10–30–98; 8:45 am]

BILLING CODE 6210–01–P