

Federal Reserve Notes

FEDERAL RESERVE BANK OF SAN FRANCISCO • December 1983

Serving Alaska, Arizona, California, Hawaii, Idaho, Nevada, Oregon, Utah & Washington

NEW FEES FOR SECURITIES SAFEKEEPING AND NONCASH COLLECTION SERVICES

New fee schedules for definitive securities safekeeping and noncash collection services were approved by the Federal Reserve Board and became effective October 27, 1983. The fees for such services offered by the San Francisco Bank are listed in the table below. Since this Bank does not offer definitive safekeeping services or accept items for collection that are payable outside the Twelfth District, certain fees are omitted.

The revisions to the definitive securities safekeeping service include the elimination of the account switch and bond redemption fees and a differentiation in account maintenance fees based on the number of receipts and issues held in an account.

Changes to the noncash collection service include adding an out-of-district component to the coupon collection fee, and converting the bond collection charge from a per-item to a per-transaction fee. The out-of-district fee is a surcharge for coupons payable outside the Federal Reserve District in which they are deposited for collection.

Both definitive securities safekeeping and noncash collection are com-

ponents of the Federal Reserve's securities service. Definitive securities safekeeping consists of vault storage, primarily of municipal and corporate securities. Noncash collection provides a payments mechanism designed to collect items that cannot be processed through normal check collection channels. These two services are interrelated as a large portion of bonds and coupons collected by the Federal Reserve Banks are derived from securities held by them in safekeeping.

Copies of the Board's notice are available from our Corporate Services Department, (415) 974-2752. For further information, please contact the Securities Services Officer of the Federal Reserve office serving your institution:

San Francisco (415) 974-2453
Bruce H. Thompson
Los Angeles (213) 683-8375
Ted Schroeder
Portland (503) 221-5907
Dean C. Gonnerman
Salt Lake City (801) 322-7828
Don W. Sheets
Seattle (206) 422-5105
Kenneth L. Peterson

NEW FEE SCHEDULES FOR CHECK COLLECTION

All Federal Reserve Banks' revised fee schedules for commercial check services became effective December 1, 1983. The new deposit prices are expected to remain in effect through the end of 1984. Consolidated shipment transportation surcharges will be adjusted in the near future to reflect upcoming economies in the Federal Reserve's Inter-district Transportation System.

With implementation of the new schedules, the Federal Reserve has fulfilled the requirements of the Monetary Control Act to include the cost of check float at the federal funds rate in check prices. Overall, the increase in fees is modest considering that they include the first full recovery of float costs.

Availability and fee schedules for direct send and consolidated inter-territory check services, and check services for in-zone depositors, have been mailed to depository institutions currently using those services. If your institution does not now use the Fed's interterritory deposit services and would like to see the schedules and learn about their advantages, or if you require additional information about specific services, please call the Financial Services Officer serving your area: San Francisco — Martha Perry at (415) 974-2127; Los Angeles — Mary Ellen Martin at (213) 683-8318; Portland — Susan Robertson at (503) 221-5909; Salt Lake City — Rod Burrell at (801) 322-7927; Seattle — Bill Ferensen at (206) 422-2754.

Federal Reserve Bank of San Francisco Current Prices

Definitive Safekeeping	Noncash Collection			
	Bond Collection (per transaction)	Local Coupon (per envelope)	Inter-District Coupon (per envelope)	Per \$1000 Coupon Value
Purchases and Sales (per transaction)	\$23.50	\$35.50	\$4.00	N.A.
				\$1.00

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REGULATIONS AND OPERATIONS UPDATE

Regulation D — Reserve Requirements: The Federal Reserve Board has announced two changes under Regulation D. The first is an increase in the amount of net transaction accounts to which the lowest (3 percent) reserve requirement will apply in 1984 — from \$26.3 million to \$28.9 million. The Board also increased the amount of reservable liabilities in depository institutions that are subject to a zero percentage reserve requirement from \$2.1 million to \$2.2 million. The adjustments took effect for all depository institutions with the reserve maintenance period beginning January 12, 1984.

The second change modified reserve requirements on non-personal time deposits and became effective October 6, 1983. Under the amendment, only non-personal time deposits with original maturities of 1½ years or less are subject to reserve requirements. Of course, for those member banks using the phase-in schedule in section 204.4(B) of Regulation D, other time deposit categories still enter into the calculation of required reserves until the phase-in period is completed on February 1, 1984.

For further information, please contact Ells Lund, Reports Manager, at (415) 974-3149 or Doren Helterline, Reserves Manager, at (415) 974-3151.

Regulation K — International Banking Operations: The Federal Reserve Board approved revisions of its rules to add to the list of activities permissible for United States banking organizations the operation of a travel agency abroad. The Board also approved amendments to its Rules Regarding Delegation of Authority to expedite procedures for investment in an export trading company, by delegating to the Reserve Banks authority to process certain notifications filed by bank holding companies to invest in the shares of export trading companies. These actions became effective December 20, 1983.

Copies of the Board's announcement are available from Corporate Services at (415) 974-2752. For further information, please contact Rodney Reid at (415) 974-2266.

Regulation L — Management Official Interlocks: Amendments to the Board's Regulation L approved in August by federal regulators of depository institutions took effect November 30, 1983. They simplify procedures for obtaining exceptions and extensions of time under the Depository Institutions Management Interlocks Act, ease the burden of the Act on depository institution holding companies, broaden exclusions from the prohibitions of the Act for certain management officials, broaden circumstances under which exemptions are available due to disruptive management loss, clarify circumstances requiring termination of non-grandfathered interlocks, and provide rules terminating interlocks between depository institutions and non-depository organizations that become diversified savings and loan holding companies.

The official notice is available from our Corporate Services Department at (415) 974-7252. For further information, please contact Wayne Rickards at (415) 974-2242.

Regulation O — Loans to Executive Officers: The Board approved changes in Regulation O to make it conform to the Garn-St Germain Depository Institutions Act of 1982. This Act deleted certain reporting and disclosure requirements with respect to loans to executive officers, principal shareholders and their related interests, and gave federal bank regulators authority to issue rules concerning reporting and disclosure of such loans by a federally insured bank or by any of an insured bank's correspondent banks.

The Board's Regulation O amendments, effective December 31, 1983, require state member banks to disclose to the public, on request, the names of each executive officer and principal shareholder who (together with their related interests) had loans from the bank or its correspondent banks equal to a minimum of 5 percent of the member bank's capital and surplus (or in any event equal to \$500,000). But no disclosure is required when the loans total less than \$2,500, even if this sum would exceed 5 percent of the bank's capital and surplus.

For further information, please contact Wayne Rickards at (415) 974-2242 or Merle Borchert at (415) 974-2238.

Regulation Q — Interest on Deposits: The Board has revised Regulation Q to make it conform to recent actions of the Depository Institutions Deregulation Committee. The modifications effective January 1, 1984 involve (1) the removal of the "thrift" differential on passbook savings accounts and 7- to 31-day deposits under \$2,500, making the ceiling for all such accounts 5½ percent at both thrifts and commercial banks, and (2) the removal of the \$2,500 minimum denomination on money market deposit accounts, Super NOW accounts, and 7- to 31-day accounts when any of these accounts is held by an IRA or Keogh depositor. The revision also phases out the \$2,500 minimums for other depositors in two steps: Effective January 1, 1985, the minimum will be reduced to \$1,000; there will be no minimum as of January 1, 1986.

For further information, please contact Bill Cooper at (415) 974-2254 or Bob Mulford at (415) 974-2256.

Regulation T — Credit by Brokers and Dealers: The Board has deferred the effective date for complying with the revised Regulation T from November 21, 1983 to March 31, 1984. The new regulation governing credit extended by brokers and dealers was adopted by the Board on May 16, 1983.

Copies of the Board's notice are available from our Corporate Services Department at (415) 974-2752. For further information on Regulation T, please contact David Vandre at (415) 974-2965.

PROPOSED CHANGES IN FED'S PRIVATE ADJUSTMENT FACTOR

The Federal Reserve Board is considering comment on proposed revisions to its procedure for calculating the Private Sector Adjustment Factor (PSAF). As provided in the Monetary Control Act of 1980, the PSAF is an allowance for the taxes that would have been paid and a return on capital had the Federal Reserve's priced services been furnished by a private sector firm.

The proposed revisions include:

- Use of data directly linking single-purpose assets to Federal Reserve services.
- Expansion of the sample used to calculate the PSAF from 12 to the 25 largest bank holding companies.
- Removal of the financing costs of net adjustment float from the asset base.
- Recovery of the estimated sales

taxes that would have been paid on the purchases of certain goods and services if the Reserve Banks were subject to such taxes.

- Recovery of expenses incurred by Board staff working directly on the development of priced services, and inclusion of the Board's assets employed in this specific activity in the PSAF asset base.

The Board also is considering public comment on an alternative method of determining the income rate used in calculating the PSAF. Public comment was due by December 20, 1983.

For further information, please contact Maureen Shields at (415) 974-2434. Copies of the Board's announcement are available from our Corporate Services Department, (415) 974-2752. 

CHECK COLLECTION FEES

(continued from page 1)

The new service schedule incorporates the following changes for the San Francisco District:

- The fine sort deposit deadline for Nevada and Hawaii items has been extended until 5:00 a.m. for immediate availability.
- A new deferred availability Country Zone has been established for routing that involves Guam, and American Samoa. Effective December 1, these items were no longer accepted in RCPC deposits but must be deposited in separate cash letters at 12:01 a.m. with availability deferred one day.
- A cash letter surcharge of \$1.00 will apply to all local deposits. 

Regulation X — Rules Governing Borrowers Who Obtain Securities Credit:

The Federal Reserve has completely revised Regulation X, which applies to borrowers who obtain credit for purchasing or carrying securities (margin credit). The revision was part of the Board's Regulatory Improvement Project, with major substantive changes involving: the exclusion of purely domestic borrowings which are already regulated by margin rules applicable to lenders, an increase in the exemption for margin credit obtained by U.S. persons residing abroad from \$5,000 to \$100,000, a number of technical revisions, and the elimination of the requirement for borrowers to file form X-1.

For further information, please contact David Vandre at (415) 974-2965.

Regulation Y — Bank Holding Companies and Change in Bank Control:

The Federal Reserve has completely revised its Regulation Y following review of some 800 letters of comment received following publication in May 1983 of the proposed overhaul. The revision included a liberalization of procedures that should reduce by a third the time now required for handling applications, and an expanded definition of a bank. The procedural changes are effective for applications filed on or after January 1, 1984. Other changes are effective February 6, 1984.

Copies of the Board's notice — all 240 pages — are available from our Corporate Services Department at (415) 974-2752. For further information, please contact Harry Green at (415) 974-2235.

FOR PUBLIC COMMENT

Regulation Y — Bank Holding Company Regulation:

The Board has requested comment by January 24, 1984 on a proposed amendment to Regulation Y to eliminate the requirement that bank holding companies engaging in credit life, accident and health insurance underwriting must provide specific rate reductions or increased policy benefits.

The Board's notice is available from our Corporate Services Department at (415) 974-2752. For further information, please contact Robert Johnston at (415) 974-2352.

Regulation Z — Truth in Lending:

The Federal Reserve Board has published a proposed update to the official staff commentary on Regulation Z and requested comment by January 31, 1984. Three principal subjects of the proposed revision involve (1) fees imposed on cardholders that use electronic terminals in interchange or shared systems; (2) FHA mortgage insurance premiums and the like when paid at or before settlement in a lump sum by the non-creditor seller; and (3) disclosures for discounted variable-rate transactions.

For further information, please contact David Vandre at (415) 974-2965. Copies of the proposals are available from our Corporate Services Department at (415) 974-2752.



Phone (415) 974-2246

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Federal Reserve Bank of San Francisco

NO CHANGE IN CAPITAL GUIDELINES FOR MULTATIONALS

After considering public comments and experience with the current capital adequacy guidelines, the Federal Reserve Board has decided against any narrowing of the current minimum 5 percent capital ratio for multinational organizations.

Multinational banking organizations have substantially increased their capital ratios since the implementation of the capital guidelines program in 1981. The Board reaffirmed its amendments adopted in June 1983 to the capital adequacy guidelines, noting that those amendments established the current 5 percent ratio and expanded the definition of secondary capital to include unsecured long-term debt issued by a bank holding company or a nonbank affiliate of the holding company.

In reaffirming its guidelines, the Board reiterated that for bank holding company organizations with total assets exceeding \$150 million, the capital guidelines apply both to individual banks in the holding company as well as to the bank holding company on a consolidated basis.

For further information, please contact Harry Green in Bank Holding Company and International Regulations at (415) 974-2235. 

FED CLARIFIES BANKERS' ACCEPTANCES

The Federal Reserve Board has clarified the meaning of participants in bankers' acceptances for the purposes of the bankers' acceptance limitations in the Bank Export Services Act (BESA). The Board's final action takes effect June 10, 1984.

BESA provided in part that if any portion of an "eligible" bankers' acceptance created by a member bank or by a U.S. branch or agency of a foreign bank covered by BESA were conveyed through a participation agreement to another bank covered by BESA, that portion should not be included in calculating the creating bank's bankers' acceptance limits. Instead, this portion is to be applied to the limits applicable to the "covered" bank receiving the participation.

A copy of the Board's notice is available from our Corporate Services Department at (415) 974-2752. For further information, please contact Rodney Reid at (415) 974-2266. 

1984 HOLIDAY SCHEDULE

Federal Reserve Bank
of San Francisco

January 2	New Year's Day
February 20	President's Day
May 28	Memorial Day
July 4	Independence Day
September 3	Labor Day
November 22	Thanksgiving Day
December 25	Christmas Day
<u>State holiday closings</u> are as follows:	
April 20	San Francisco and Los Angeles close at noon
September 10	San Francisco, Los Angeles
October 8	Salt Lake City
November 6	Seattle
November 12	Portland, Salt Lake City, Seattle