

FEDERAL RESERVE BANK  
SAN FRANCISCO  
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# Federal Reserve Notes

Federal Reserve Bank of San Francisco • May 1985

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## REGULATIONS AND OPERATIONS UPDATE

### Reclassification of the Book-Entry Treasury Securities Service

The U.S. Treasury recently determined that Reserve Banks should provide book-entry transfer and account maintenance services for U.S. Treasury Securities as fiscal agent services of the United States and not as priced services. New fees for transferring Treasury book-entry securities will become effective **October 1, 1985**. Current prices will remain in effect for non-Treasury book-entry securities services.

The Federal Register notices that describe the Federal Reserve/Treasury announcements can be obtained from Corporate Services at (415) 974-2752. For further information, please contact David Kerr at (415) 974-2345.

### Regulations D, H, Q

The Federal Reserve Board has issued interpretations to Regulation D (Reserve Requirements) and Regulation Q (Interest on Deposits) to exclude from the definition of the term "deposit" any repurchase agreement involving shares of a money market mutual fund whose portfolio consists entirely of U.S. Treasury and federal agency securities. The Board also issued an interpretation of Regulation H (State Bank Membership) to permit state member banks to purchase shares in a money market mutual fund whose portfolio consists entirely of trust assets that the bank may purchase directly.

These interpretations take effect **June 4, 1985**. For further information, please contact Gail Taylor for Regulation D at (415) 974-2055; Merle Borchert for Regulation H at (415) 974-2238; or Robert Mulford for Regulation Q at (415) 974-2256.

### Regulation J

The Board has decided to eliminate the **fractional availability** credit option offered to depository institutions for the recovery of Federal Reserve interterritory check float effective **September 1, 1986**. The Board also approved a continuation of the current moratorium on permitting additional depository institutions to select this credit option.

For further information, please contact the Payments Services Officer at the office serving your institution.

### Regulations E and Z

The Board has published in final form, changes in the official staff commentaries to Regulations E (Electronic Funds Transfers) and Z (Truth-in-Lending). The major changes to Regulation E commentary pertain to unauthorized transfers and unsolicited issuance of personal identification numbers. The revisions to Regulation Z commentary address such matters as the assumption provision, surcharges, discounted variable-rate disclosures, and implementation of the statutory change to the right of revision in open-end credit.

The Regulation E commentary update was effective **April 1, 1985**, except for the revision applying to foreign-initiated transfers, which takes effect **October 1, 1985**. The Regulation Z commentary update also took effect **April 1, 1985**, with reliance optional until **October 1, 1985**.

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

### Check Collection — Direct Send/ Consolidated Shipment Service and Fee Schedules

On November 9, 1984, the San Francisco Reserve Bank announced new fee schedules for our commercial check services, effective December 27, 1984. Some changes have occurred since that time, although they do not include any in deposit prices. Revisions to deposit deadlines and availabilities for interterritory depositors through the use of the Federal Reserve System's direct send and consolidated deposit services, and/or some errors in transportation surcharge information are described in three exhibits available from the Financial Services officer serving your territory.

## FOR PUBLIC COMMENT

### Regulation J

The Board has asked for comment by **May 21, 1985** on various proposed amendments (Docket R-0544) to Regulation J, that would include the following:

- Permit the owner or other subsequent holder of a check or draft injured by a Reserve Bank's alleged negligence in collecting the item to bring an action against the Reserve Bank, even if the owner or holder is not a "sender" as currently defined
- Establish a two-year limitation period for suits against a Reserve Bank that improperly collects a check or draft or mishandles a wire transfer of funds
- Add the Northern Mariana Islands to the Twelfth District for check collection purposes
- Clarify that terms used but not defined in Regulation J are to be read in light of Uniform Commercial Code definitions
- Clarify that Reserve Banks are not liable for consequent damages in handling wire transfers of funds

For further information, please contact Robert Mulford in Law at (415) 974-2256.

## POLICY DEVELOPMENTS

### Float Pricing

In response to concerns expressed by depository institutions, the Federal Reserve Board has decided to modify the System's accounting procedures for float pricing to include the effect that float would have on the Board's reserve requirements if Reserve Banks were required to hold reserves. These procedures will result in an accounting method that more closely conforms to the accounting practices of correspondent banks.

Net check float will be deducted from the amount of clearing balances maintained with the Federal Reserve before the Federal Reserve's imputed required reserves are determined. This action will permit a reduction of twelve percent in float charged to depositors, effective with float incurred beginning March 28, 1985.

For further information about this accounting modification, please contact the Accounting or Payments Services Officer in the Federal Reserve office serving your territory.

### Report on Priced Services

A report summarizing developments in the priced services areas for 1984 has been issued by the Federal Reserve Board. It provides detailed financial results and is available from Corporate Services at (415) 974-2752.

### Revised Supervisory Policy — Government-guaranteed Loans

The Federal Reserve Board has adopted a revised policy for supervising financial institutions that participate in the purchase and sale of loans guaranteed by the U.S. government.

The revised policy reminds financial institutions that premiums received in lieu of servicing fees, with respect to the selling and servicing bank, are to be amortized over the life of the loan and that, with respect to the purchasing bank, the premiums paid over the face value of the note are not guaranteed and are not paid by the guaranteeing federal agency when the loans are prepaid or in default. For this reason, the statement cautions banks against paying inappropriate or excessive premiums.

### Small Business Advisory Council Formed

On March 20, 1985, the Federal Reserve Bank of San Francisco announced the formation of an Advisory Council to increase formal contacts with small business and agriculture and to serve as an important source of information on current and pending developments in those areas. The Council will report to the Bank's Board of Directors, Bank management, and, through the Council's chairman and vice chairman, to the Board of Governors of the Federal Reserve System.

Mr. Fred W. Andrew, Deputy Chairman of the Bank's Head Office Board of Directors, was named Chairman of the Advisory Council, and Mrs. Sandra A. Suran, a director of the Bank's Portland Branch, was named Vice Chairman.