

Federal Reserve Notes

Federal Reserve Bank of San Francisco • November 1985

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

POLICY DEVELOPMENTS

Bank Supervision

The Federal Reserve Board has announced two policies to strengthen Reserve Bank supervision of state member banks and bank holding companies. The policies generally increase the frequency of Federal Reserve examinations and inspections and strengthen the procedures for reporting deficiencies to bank management and boards of directors.

In addition, the Board identified the following areas for future improvement when appropriate:

- prudential standards
- coordination and cooperation with other federal and state banking departments
- examination staffs and examiner training programs

The policies are effective now, with initial implementation expected **January 1, 1986**. For further information, please contact Merle Borchert in Supervision, Regulation and Credit at (415) 974-2238.

REGULATIONS AND OPERATIONS UPDATE

New Funds Transfer User Guide/Tutorial

A User Guide and software tutorial are available for users of the new funds transfer system installed by the Federal Reserve Bank of San Francisco during the week of September 17, 1985. At present, both old and new funds systems are operating in parallel to allow for operator training. The User Guide and tutorial are designed to obviate the need for face-to-face training. For further information about the training and conversion schedule, please contact your local Financial Services Officer.

Regulation K — International Banking

The Federal Reserve Board has revised Regulation K to permit Edge Act corporations to enlarge the scope of their activities. The major revisions pertain to: activities in the United States, change in control, and investment procedures. The revised regulation allows Edge Act corporations, effective October 24, 1985, to provide full banking services to a limited class of companies that are restricted by their charters or licenses to international business.

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

Check Collection — Changes in Consolidated Shipment

Revised courier arrangements, effective October 15, 1985, have resulted in improved availability to several Reserve cities from the Seattle office of the Federal Reserve Bank of San Francisco. The improvements apply to the consolidated shipment of interterritory deposits and involve a number of changes in deposit cut-off times. For information, please contact Edward Bonheur at (206) 442-5105.

Blocking Action — Cuban Asset Control

The U.S. Treasury is advising depository institutions that the firms and individuals named below have been determined to be specially designated nationals under the Cuban Assets Control Regulations:

Antonio Delgado Aresnio
Panama
(address unknown)

Carisub, S.A.
Panama
(address unknown)

Michael P. Dooley
Panama
(address unknown)

Additional information about this blocking action may be obtained from Mr. Dennis O'Connell, Director, Office of Foreign Assets Control, Department of the Treasury, Washington, D.C. 20220, (202) 376-0395.

ACH — Amendments to Circular 4

The Federal Reserve Bank of San Francisco has made some amendments to Circular 4 that affect all depository institutions using or considering using our Automated Clearing House (ACH) service:

Handling of Items: The circular currently indicates that a receiver choosing physical delivery of items is considered to have received the items on the settlement date if those items were available for pick-up or electronic delivery on the settlement date. Paragraph 18 has been amended to clarify that the constructive receipt on the settlement date is only for purposes of settlement and not for other purposes, such as return.

Return of Items: Paragraph 34 has been amended to clarify that Reserve Banks are liable only for their negligence or lack of good faith in converting paper returns to automated form and transmitting them to the originating banks.

Paragraph 36B states that Reserve Banks do not handle ACH returns with respect to items originated through private sector automated clearing houses and that the liability for any such return is placed on the receiver that returns the items. This amendment requires a receiver to keep records indicating the source of receipt of items, to warrant that a return item was received from a Reserve Bank and to agree to provide source of receipt information upon request. This provision also applies to rejections of prenotifications and notifications of changes.

Reserve Bank Liability: The Federal Reserve is expanding the liability it assumes in handling ACH payments to include the willful misconduct of its employees.

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

Criminal Referral Procedures — Bank Bribery Statute

The federal financial institution regulatory agencies and the Department of Justice have developed a new uniform criminal referral form that provides the specific information needed to determine whether a matter warrants investigation and/or prosecution. The form should be used to report all cases of known or suspected criminal activity against an institution, whether by insiders or those outside the institution.

Copies of the form to be used by state member banks and bank holding companies are available from Corporate Services at (415) 974-2752. Other institutions should get the forms from their primary federal supervisors. For further information, please contact Merle Borchert in Supervision, Regulation and Credit at (415) 974-2238 or Robert Mulford in the Law Department at (415) 974-2256.

LARGE DOLLAR RETURN ITEM NOTIFICATION

Since the requirement under Regulation J that depository institutions must provide advice of nonpayment of large dollar return items took effect October 1, 1985, some specific issues have been raised by institutions. The Federal Reserve Bank of San Francisco has responded to these issues in a letter to depository institutions dated October 10, 1985. In general, any questions regarding notification of large dollar return items should be directed to the Payments Services Officer in your local Federal Reserve office:

San Francisco	Douglas Knudsen	(415) 974-2069
Los Angeles	Ross Ashman	(213) 683-8351
Portland	Dean Gonnerman	(503) 221-5903
Salt Lake City	Robert Richards	(801) 322-7887
Seattle	Edward Bonheur	(206) 442-5105

New Telephone Assistance System

The Federal Reserve Bank of San Francisco has installed a new telephone system in connection with the new Return Item Notification procedures. The system will hold your call until an operator is available to assist you. The new number is (415) 541-0639. The cut-off time to accept calls has also been changed from 4 p.m. to 3 p.m.

For Public Comment

The Federal Reserve Board has adopted an interim amendment relating to the Large Dollar Return Item Notification requirement specifying that Saturdays, Sundays and standard holidays are excluded in computing the paying bank's deadline for notification. Comments on the amendment, which is effective immediately on an interim basis, were requested by November 1, 1985. Similar provisions have been added to the circular on Collection of Cash Items.