

FEDERAL RESERVE BANK  
OF NEW YORK

November 14, 1969

NOTICE OF PROPOSED RULE MAKING  
Regulation F—Securities of Member State Banks

To State Member Banks in the Second Federal Reserve District:

Following is the text of a statement issued yesterday by the Board of Governors of the Federal Reserve System:

The Board of Governors of the Federal Reserve System today issued for comment proposed amendments to its Regulation F, "Securities of Member State Banks," relating to the form and content of commercial bank financial statements and proxy solicitation provisions. This regulation applies the disclosure provisions of the Securities Exchange Act of 1934 to the securities of State member banks that have 500 or more stockholders.

The major change proposed by the amendments is to implement the "net income" concept in bank income reports, an action announced by the Board on July 18, 1969. Briefly, the effect of the proposed change would be to (1) require a bank to recognize a loan loss factor in reporting operating expenses, (2) require securities gains and losses to be reported, as realized, in a bank's statement of income, and (3) designate the last line in the statement of income as "net income." In addition, per share earnings would be required to be reported. Other amendments relating to financial statement reporting are also proposed. The proposed revisions are intended to make financial reports required by Regulation F consistent with the format and instructions for preparation of reports periodically called by the Federal banking agencies.

Extensive revisions of the regulatory provisions as they relate to proxy solicitations are also proposed. These amendments are mainly intended to clarify the applicability of the various provisions of the regulation and to incorporate administrative practices adopted during the five years since Regulation F was first adopted, generally, without imposing any additional requirements.

Under the proposed amendments, reports of all banks subject to Regulation F would be available for public inspection at the New York, Chicago, and San Francisco Reserve Banks, at the Board's offices in Washington, and at the Federal Deposit Insurance Corporation Washington headquarters. The nine other Federal Reserve Banks would have available for inspection only those reports of Regulation F banks located in their own Federal Reserve Districts.

In addition, the amendments would reduce the time permitted for banks to file annual reports with the Board from 120 to 90 days after the close of its fiscal year, or within 15 days of the mailing of a bank's annual report to stockholders, whichever first occurs. The time permitted for banks to file quarterly reports would be reduced from 45 days to 30 days after the close of each quarter.

Comments on the proposed amendments should be sent to the Secretary, Board of Governors of the Federal Reserve System, Washington, D. C. 20551, to be received not later than December 5, 1969.

The texts of the proposed amendments will be published shortly in the *Federal Register* and *Federal Reserve Bulletin*; copies of such texts and of the amendments to the forms proposed to be revised have been sent by the Board of Governors to those banks that are now subject to Regulation F. Such copies are also available upon request addressed to our Bank Examinations Department.

Comments on the proposed amendments should be submitted by December 5 and may be sent to our Bank Examinations Department for transmission to the Board of Governors. Additional copies of this circular will be furnished upon request.

ALFRED HAYES,  
President.