

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. 8385]
July 11, 1978]

AMENDMENT TO REGULATION O

Credit Card Indebtedness of Executive Officers of Member Banks

*To All Member Banks, and Others Concerned,
in the Second Federal Reserve District:*

The Board of Governors of the Federal Reserve System has amended its Regulation O, "Loans to Executive Officers of Member Banks," to make it clear that an executive officer may not become indebted to a member bank under a bank credit card, check credit or similar plan under terms more favorable than those offered to the general public. The amendment became effective June 30, 1978.

Enclosed is a copy of the amendment. Questions regarding the amendment may be directed to our Regulations Division (Tel. No. 212-791-5914).

PAUL A. VOLCKER,
President.

Board of Governors of the Federal Reserve System

LOANS TO EXECUTIVE OFFICERS OF MEMBER BANKS

AMENDMENT TO REGULATION O

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final rule.

SUMMARY: This amendment clarifies the expression "general arrangements" in section 215.2(c) (5) (iv) in the Board's Regulation O. The amendment is intended to reflect the Board's position that the expression "general arrangements" precludes any arrangement whereby an executive officer would be able to incur credit card indebtedness on terms more favorable than those offered to the general public.

EFFECTIVE DATE: June 30, 1978.

FOR FURTHER INFORMATION CONTACT: Robert E. Mannion, Associate General Counsel (202-452-3274), or Jennifer J. Johnson, Attorney (202-452-3584), Legal Division, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

SUPPLEMENTARY INFORMATION: The Board of Governors of the Federal Reserve System has amended its Regulation O in order to clarify a type of indebtedness that is excluded from the definition of extension of credit.

The procedures of section 553(b) of Title 5, United States Code, with respect to notice, public participation and deferred effective date were not followed because this amendment is interpretative in nature.

Authority: 12 U.S.C. § 375(a).

Effective June 30, 1978, § 215.2(c) is amended to read as follows:

SECTION 215.2—DEFINITIONS

* * *

(c) "Extension of credit" and "extend credit".***

* * *

Such terms, however, do not include:

* * *

(iv) indebtedness arising by reason of general arrangements³ under which a bank (a) acquires charge or time credit accounts or (b) makes payments to or on behalf of participants in a bank credit card plan, check credit plan, or similar plan, except that this subdivision (iv) shall not apply to indebtedness of an executive officer to his own bank to the extent that the aggregate amount thereof exceeds \$5,000 or to any such indebtedness to his own bank that involves prior individual clearance or approval by the bank other than for the purpose of determining whether his participation in the arrangement is authorized or whether any dollar limit under the arrangement has been or would be exceeded.

³ The expression "general arrangement" is not intended to include an arrangement whereby an executive officer incurs indebtedness under a bank credit card plan, check credit plan, or similar plan under terms more favorable than those offered to the general public.

For this Regulation to be complete, retain:

- 1) Regulation O pamphlet, effective March 15, 1968.
- 2) This slip sheet.

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