

FEDERAL RESERVE BANK  
OF NEW YORK

[ Circular No. 8462 ]  
November 20, 1978

REGULATION O

Notice Requirements for Changes in Loan Terms

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

Effective June 30, 1978, the Board of Governors of the Federal Reserve System amended its Regulation O, "Loans to Executive Officers of Member Banks," to make it clear that an executive officer of a member bank may not become indebted to that bank under a bank credit card, check credit or similar plan under terms more favorable than those offered to the general public. In order to ensure that the implementation of that amendment will not conflict with the notice requirements of Regulation Z, "Truth in Lending," or with applicable State law, the Board of Governors has established the following procedures in cases where changes in loan terms are required as a result of the Regulation O amendment:

1. All affected executive officers shall be given at least 15 days' written notice of any change in terms in order to comply with the requirements of Regulation Z, Section 226.7(f).

2. Where applicable State law requires special notices, all affected executive officers shall be given such required notices. Under the Uniform Consumer Credit Code, written notice of any change in terms must be given at least three times, with the first notice at least six months before the change is implemented.<sup>1</sup> Once an executive officer receives the first notice of any change and agrees to it in writing, further notice is not required; the change may then become effective in less than six months but in no case in less than the 15 days' notice period required by Regulation Z.

3. While implementation of this notice procedure may result in nonconformity with Regulation O during the notice period, banks will be considered to have complied with the spirit of the regulation where action has been taken to notify, in writing, affected executive officers. Accordingly, where banks have taken such action to comply with Regulation O, bank examiners will be instructed to list those situations for informational purposes only in completing reports of examination.

<sup>1</sup> Notice is required under versions of the Code in the States of Indiana, Iowa, Kansas, Maine, Oklahoma, Utah and Wyoming; other States may have similar provisions.

You may wish to retain this circular with your Regulation O pamphlet. Any questions regarding this matter may be directed to our Regulations Division (Tel. No. 212-791-5914).

PAUL A. VOLCKER,  
*President.*