

*At Arch. 8599*  
July 12, 1979

To the Addressee:

Enclosed is a copy of amendments, effective October 17, 1978 and March 21, 1979, to the "Rules Regarding Delegation of Authority" of the Board of Governors of the Federal Reserve System. The amendments relate to the delegation of Board authority for a wide range of Federal Reserve activities to the Board's staff and to the Reserve Banks.

Also enclosed is a copy of an erratum sheet, correcting an error in the Board's Regulation Y pamphlet "Bank Holding Companies and Change in Bank Control," which was issued on April 5, 1978.

Circulars Division  
Federal Reserve Bank of New York



Board of Governors of the Federal Reserve System  
RULES REGARDING DELEGATION OF AUTHORITY

AMENDMENTS

Effective October 17, 1978, section 265.2(j) is deleted and section 265.2(d) is amended as follows:

**SECTION 265.2—SPECIFIC FUNCTIONS  
DELEGATED TO BOARD EMPLOYEES  
AND TO FEDERAL RESERVE BANKS**

\* \* \* \* \*

(d) **The Staff Director for Federal Reserve Bank Activities** or the Staff Director's designee is authorized:

\* \* \* \* \*

(3) Under the provisions of the third paragraph of section 16 of the Federal Reserve Act (12 U.S.C. 413), to apportion credit among the Reserve Banks for unfit notes that are destroyed, giving consideration to the net number of notes of each denomination that were issued by each Reserve Bank during the preceding calendar year.

(4) Under the provision of §§ 216.5(b), 216.5(d), and 216.6 of this chapter (Regulation P), with respect to Federal Reserve Banks and branches

(i) to require reports on security devices;  
(ii) to require special reports; and  
(iii) to determine in view of the provisions of §§ 216.3 and 216.4 whether security devices and procedures are deficient in meeting the requirements of Part 216, to determine whether such requirements should be varied in the circumstances of a particular banking office, and to require corrective action.

(5) To approve or disapprove supplementary budget requests and special incentive programs to improve operations or reduce costs, provided that the Board has previously approved the budget of the requesting Reserve Bank and provided that the supplemental request adheres to the Board's general expense guidelines and such guidelines as the Board may have imposed in approving the Reserve Bank's budget and provided that the

amount approved may not exceed in any budgetary year one hundred thousand dollars (\$100,000) for each Reserve Bank and seven hundred fifty thousand dollars (\$750,000) for all Reserve Banks in the System.

Effective March 21, 1979, section 265.2 is amended as follows:

1. Section 265.2(b) is amended by adding a new paragraph (8) to read as follows:

**SECTION 265.2—SPECIFIC FUNCTIONS  
DELEGATED TO BOARD EMPLOYEES  
AND TO FEDERAL RESERVE BANKS**

\* \* \* \* \*

(b) **The General Counsel of the Board** (or in the General Counsel's absence, the acting General Counsel) is authorized:

\* \* \* \* \*

(8) to approve provisions of Federal Reserve Bank operating circulars related to uniform services.

2. Section 265.2(e) is deleted and reserved.

3. Section 265.2(d) is amended by revising paragraphs (1), (2) and (5) and adding new paragraphs (6)–(8) to read as follows:

**SECTION 265.2—SPECIFIC FUNCTIONS  
DELEGATED TO BOARD EMPLOYEES  
AND TO FEDERAL RESERVE BANKS**

\* \* \* \* \*

(d) **The Staff Director for Federal Reserve Bank Activities** or the Staff Director's designee is authorized:

(1) To approve

(i) requests of up to \$500,000 for each Reserve Bank for the purchase or lease of computer mainframes, if the acquisition is consistent with

For these Rules to be complete, retain:

- 1) Pamphlet amended effective August 2, 1978.
- 2) Amendments effective October 19, 1978, January 1, 1979, March 10, 1979, and April 26, 1979.
- 3) This slip sheet.

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the long-range automation plan approved by the Board of Governors, and

(ii) requests of up to \$500,000 for each Reserve Bank for purchase or lease of automation or communications equipment not specifically included in the long-range automation plan approved by the Board of Governors, except computer mainframes.

(2) To approve proposed remodeling or renovation of or additions to Reserve Bank or Branch buildings if the cost is over \$500,000, but not over \$1,000,000, and if the project has been included in the capital or operating budget approved by the Board of Governors.

\* \* \* \* \*

(5) To review Reserve Bank agreements with architects and other consultants for new construction or renovation projects over \$100,000, but not over \$1,000,000.

\* \* \* \* \*

(6) Within the contingency allowance for a new building project, to approve individual construction change orders over \$500,000 but not over \$1,000,000.

(7) To exercise supervision over the following matters relating to Federal Reserve notes:

(i) printing orders and

(ii) contracts for shipment, giving consideration to:

(a) the desirability of maintaining a two-year reserve supply of \$5 and \$100 notes and a one-year supply of \$1 notes, and

(b) awarding contracts to the lowest bidder determined to be qualified.

(8) To modify the Reserve Bank Accounting Manual (after considering the views of the Subcommittee on Accounting Systems, Budgets and Expenditures of the Committee on Management Systems and Support Services of the Conference of First Vice Presidents) in accordance with generally accepted accounting practices for banks, except that the following will not be authorized:

(i) reserves for contingencies,

(ii) charge-off of land to below estimated market value,

(iii) charge-offs of buildings, or special allowances for depreciation that would result in

full depreciation before 40 years after the date of completion of the structure, and

(iv) write-down of Government securities below cost, including establishment of a valuation reserve.

4. Section 265.2(f) is amended by revising paragraphs (25) and (34) and adding new paragraphs (39)—(56) to read as follows

#### SECTION 265.2—SPECIFIC FUNCTIONS DELEGATED TO BOARD EMPLOYEES AND TO FEDERAL RESERVE BANKS

\* \* \* \* \*

(f) Each Federal Reserve Bank is authorized:

\* \* \* \* \*

(25) To set the salaries of its officers below the level of First Vice President (including the General Auditor) within guidelines issued by the Board of Governors.

\* \* \* \* \*

(34) Under the provisions of sections 3 and 11j of the Federal Reserve Act (12 U.S.C. 521 and 248 (j)) to undertake remodeling, renovation of or addition to its existing buildings or those of its branches if the expenditure for any completed project is not over \$500,000, and if it has been included in the capital or operating budget approved by the Board of Governors.

\* \* \* \* \*

(39) Under the provisions of the twenty-first paragraph of section 4 of the Federal Reserve Act (12 U.S.C. 306), to approve the appointment of assistant Federal Reserve agents (including representatives or alternate representatives of such agents).

(40) Under the provisions of the sixteenth paragraph of section 4 of the Federal Reserve Act (12 U.S.C. 304), to classify member banks for the purposes of electing Federal Reserve Bank class A and class B directors, giving consideration to:

(i) the statutory requirement that each of the three groups shall consist as nearly as may be of banks of similar capitalization, and

(ii) the desirability that every member bank have the opportunity to vote for a class A or a class B director at least once every three years.



(41) To increase its operating budget up to 1 per cent of the annual operating budget.

(42) To purchase or lease new automation or communications equipment, except computer mainframes, at a cost of up to \$1,000,000, if included in long-range automation plans and capital or operating budgets approved by the Board of Governors.

(43) To set the salary structure for nonofficial employees within guidelines issued by the Board of Governors, and to approve payment of salary above or below established salary ranges for one year.

(44) To approve payment of separation allowances upon the involuntary termination of employment of officers below the level of First Vice President (separation payments made to the General Auditor may be approved by the Chairman of the Board of Directors).

(45) In connection with building projects:

(i) to enter into agreements with architects and other consultants up to \$100,000;

(ii) to administer the contingency allowance;

(iii) within the contingency allowance for a new building to approve construction change orders up to \$500,000;

(iv) to approve exceptions to Buy American Policy for construction materials within authorized dollar limits; and

(v) to award contracts to other than the lowest bidder within authorized dollar limits.

(46) To sell real property (prior consultation with the Director of the Division of Federal Reserve Bank Operations is required for any property appraised at more than \$1,000,000).

(47) To purchase or lease new fixed or operating equipment, other than automation or communications equipment, costing up to \$250,000, if identified in capital or operating budgets approved by the Board.

(48) To make changes in territories served by offices within its district for specific functions.

(49) To extend the employment of officers and employees, except the President and First Vice President, for one year beyond mandatory retirement age.

(50) To grant performance cash awards

(i) to Senior Vice Presidents, if approved by the President, and

(ii) to the General Auditor, if approved by the Chairman of the Board of Directors.

(51) To extend the time within which a bank holding company may acquire shares, a new bank to be acquired by a bank holding company may be opened for business, or a merger may be consummated in connection with an application approved by the Board, if no material change that is relevant to the proposal has occurred since its approval.

(52) To extend the time within which a bank holding company must file its annual report.

(53) To extend the time within which

(i) a State member bank may establish a domestic branch,

(ii) a member bank may establish a foreign branch, or

(iii) an "Edge Act" or "Agreement" corporation may establish a branch or agency, if no material change has occurred in the bank's (or corporation's) general condition since the application was approved.

(54) To extend the time within which an "Edge Act" or "Agreement" corporation or a member bank may accomplish a purchase of stock that has been authorized by the Board pursuant to section 25 or 25(a) of the Federal Reserve Act, if no material change has occurred in the general condition of the corporation or the member bank since such authorization.

(55) To extend the time within which Federal Reserve membership must be accomplished, if no material change has occurred in the bank's general condition since the application was approved.

(56) To waive the penalty for deficient reserves by a member bank if, after a review of all the circumstances relating to such deficiency, the Reserve Bank concludes that waiver of the penalty is warranted, except that in no case shall a penalty for deficient reserves be waived if the deficiency arises out of the bank's gross negligence or conduct inconsistent with the principles and purposes of reserve requirements.



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

**BANK HOLDING COMPANIES AND CHANGE IN BANK CONTROL**

ERRATUM: REGULATION Y

Correction to pamphlet amended effective April 5, 1978

The Regulation Y pamphlet amended effective April 5, 1978, contains an error in the text of § 225.4(a)(2). This passage should read correctly as set forth below:

SECTION 225.4 – NONBANKING ACTIVITIES

(a) **Activities closely related to banking or managing or controlling banks.** \* \* \*

(2) operating as an industrial bank, Morris Plan bank, or industrial loan company, in the manner authorized by State law so long as the institution does not both accept demand deposits and make commercial loans; \* \* \*