

FEDERAL RESERVE BANK
OF NEW YORK

H-lic. no. 9167

October 19, 1981

BOARD OF GOVERNORS' SEMIANNUAL AGENDA OF REGULATIONS
OCTOBER 1, 1981 - APRIL 1, 1982

To the Addressee:

Printed below is the text of the Board of Governors' Semiannual Agenda of Regulations and Regulatory Flexibility Agenda for the period October 1, 1981 through April 1, 1982, which has been reprinted from the *Federal Register*. The Agenda provides you with information on those regulatory matters that the Board now has under consideration or anticipates considering over the next six months, and is divided into three parts: (1) regulatory matters that the Board had considered during the previous period on which final action has been taken; (2) regulatory matters that have been proposed for public comment and are still under consideration; and (3) additional regulatory matters that the Board may consider proposing for public comment during the next six months.

Comments regarding any of the Agenda items may be submitted directly to the Board of Governors or to the Consumer Affairs and Bank Regulations Department of this Bank at any time during the next six months.

ANTHONY M. SOLOMON,
President.

FEDERAL RESERVE SYSTEM
12 CFR Ch. II

**Semiannual Agenda of Regulations
and Regulatory Flexibility Agenda**

AGENCY: Board of Governors of the
Federal Reserve System.

ACTION: Semiannual Agenda.

SUMMARY: Pursuant to the Regulatory Flexibility Act, and the Board's Statement of Policy Regarding Expanded Rulemaking Procedures, the Board anticipates having under consideration regulatory matters as indicated below during the period from October 1, 1981 through April 1, 1982. The Board's next semiannual agenda will be published on April 1, 1982.

DATE: Comments may be received any time during the next six months.

ADDRESS: Comments could be addressed to William W. Wiles, Secretary of the Board, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

FOR FURTHER INFORMATION CONTACT:

[A staff contact for each item is indicated with the regulatory description below.]

SUPPLEMENTARY INFORMATION: The Board's Semiannual Agenda is divided into three sections: Section A reports those regulatory matters from the Board's last Semiannual Agenda (April 1, 1981 through October 1, 1981) on which final action has been taken; Section B reports on regulatory matters that have been proposed and that are under Board consideration; and Section C reports regulatory matters the Board may consider proposing for public comment during the next six months.

A double asterisk (**) in Sections B and C indicates those matters listed on the Board's previous Semiannual Agenda; a dagger(†) indicates a proposal that is likely to have a significant economic impact on a substantial number of small entities. The latter designation applies to only those matters proposed or expected to be

proposed for public comment *after* the January 1, 1981, effective date of the Regulatory Flexibility Act.

**A. REGULATORY MATTERS FROM
THE APRIL 1, 1981 THROUGH
OCTOBER 1, 1981 SEMIANNUAL
AGENDA ON WHICH FINAL ACTION
HAS BEEN TAKEN**

**1. Regulation: C—Home Mortgage
Disclosure (12 CFR part 203)**

ACTION TAKEN: In July 1981, the Board adopted a revised regulation that implements statutory changes to the Home Mortgage Disclosure Act that were enacted in October 1980 (Pub. L. 96-399), and that is written in a simplified, concise form (46 FR 40679, August 11, 1981). This proposal was published for comment in February 1981 (46 FR 11780, February 10, 1981). The regulation requires depository institutions located in standard metropolitan statistical areas (SMSAs) and with assets over \$10 million to

disclose data about their home mortgage and home improvement loans each year. No significant new burdens were imposed on any covered institutions.

Some of the principal changes in the revised regulation are as follows: (1) disclosures are no longer required at a branch office in the SMSA where the institution's home office is located. (A disclosure statement will continue to be available at the home office and will contain complete data for all SMSAs in which the institution has offices.); (2) disclosures at other branch offices are only required to give data about loans on property in the SMSA where the branch is located; (3) the "total residential mortgage loans" category is no longer required; (4) geographic breakdowns must be given in terms of census tracts or counties and not by ZIP codes; (5) an institution may use either 1970 or 1980 census tract boundaries in geocoding loans, until the 1980 census tract outline maps for the SMSA are issued by the U.S. Census Bureau; (6) a lobby notice is required regarding the availability of home mortgage data; (7) an institution that has exempt status and that subsequently loses its exemption must begin to compile and report data only, in general, for the calendar year following the loss of exemption; and (8) an institution must send a copy of its disclosure statement to its supervisory agency.

The lobby notice requirement became effective on September 30, 1981. The remaining requirements went into effect on August 11, 1981. The Board also adopted a revised version of the HMDA-1 form for reporting and disclosure of loan data. The form will be published after review by the U.S. Office of Management and Budget.

AUTHORITY: Home Mortgage Disclosure Act of 1975, 12 U.S.C. 2804(a).
DOCKET NUMBER: R-0350.

STAFF CONTACT: John C. Wood, Senior Attorney, Division of Consumer and Community Affairs, (202-452-2412).

2. Regulation: D—Reserve Requirements of Depository Institutions, Q—Interest on Deposits (12 CFR Parts 204, 217)

ACTION TAKEN: In response to requests from the banking community, in December 1980 the Board issued for public comment proposed amendments to its Regulations D and Q to permit the establishment in the United States of International Banking Facilities (IBFs) by depository and other institutions to promote international banking activity in the United States. IBFs would make loans to and accept deposits from foreign residents free of reserve requirements and interest-rate

limitations (45 FR 84070, December 22, 1980). This proposal would affect principally the major banks already engaged in international banking transactions. Following review of the public comments, the Board adopted the proposal in substantially the form proposed (46 FR 32426, June 23, 1981).

AUTHORITY: Federal Reserve Act, 12 U.S.C. 461.

DOCKET NUMBER: R-0214.

STAFF CONTACT: Robert F. Gemmill, Associate Director, Division of International Finance, (202-452-3733); Gilbert T. Schwartz, Associate General Counsel, Legal Division (202-452-3625).

3. Regulation: T—Credit by Brokers and Dealers (12 CFR 220.6(j))

ACTION TAKEN: In response to a request on behalf of a registered broker-dealer, the Board in December 1980 denied permission to allow the acceptance of bank depository receipts for gold by a broker or dealer to meet the margin requirements specified by the rule. At the same time the Board issued for public comment a proposed amendment to Regulation T deleting § 220.6(j) which permits the use of foreign currency to meet margin requirements (45 FR 83510, December 19, 1980). In June 1981, after reviewing comments received on the draft amendments, the Board deleted § 220.6(j) from Regulation T (46 FR 31250, June 15, 1981).

AUTHORITY: Securities Exchange Act of 1945, 15 U.S.C. 78g and w.

DOCKET NUMBER: R-0250.

STAFF CONTACT: Laura Homer, Securities Credit Officer, Robert Lord, Attorney, Securities Regulation Section, Division of Banking Supervision and Regulation, (202-452-2781).

4. Regulation: Y—Bank Holding Companies and Change in Bank Control (12 CFR 225.4(a)(9))

ACTION TAKEN: In March 1978 the Board issued for public comment a proposal to amend its Regulation Y relating to permissible insurance activities for bank holding companies (43 FR 14970, April 10, 1978). The proposed amendments were required in order to conform the regulation to an opinion of the United States Court of Appeals for the Fifth Circuit. The first amendment deletes the authority of bank holding companies to act as an agent for the sale of insurance sold as a matter of convenience to the public. Another amendment removes the authority for bank holding companies to act as agent for the sale of insurance for themselves or for their subsidiaries. In July 1981, the Board adopted the

proposals in substantially the form proposed (46 FR 38493, July 28, 1981).

AUTHORITY: Bank Holding Company Act, 12 U.S.C. 1843(c)(8).

DOCKET NUMBER: R-0050.

STAFF CONTACT: Richard M. Whiting, Senior Attorney, Legal Division, (202-452-3779).

B. REGULATORY MATTERS THAT HAVE BEEN PROPOSED AND WILL INVOLVE FURTHER BOARD CONSIDERATION

****1. Regulation: B—Equal Credit Opportunity (12 CFR Part 202)**

ACTION TAKEN: In April 1979, the Board, in response to requests for clarification, requested public comment on how the specific rules of Regulation B should apply to various credit scoring practices (44 FR 23365, April 23, 1979).

In August 1980, the Board published a revised proposal in the form of two proposed interpretations, the first dealing with consideration of income in credit scoring systems and the second with the selection and disclosure of reasons for adverse action (45 FR 56818, August 26, 1980). Both proposals would affect creditors that use credit scoring systems. The Board will review the comments received on the draft proposals and is expected to take further action during the next six months.

AUTHORITY: Section 703(a) of the Equal Credit Opportunity Act, 15 U.S.C. 1691b(a).

DOCKET NUMBER: R-0203.

STAFF CONTACT: Dolores S. Smith, Assistant Director, Division of Consumer and Community Affairs, (202-452-2412).

****2. Regulation: B—Equal Credit Opportunity (12 CFR Part 202)**

ACTION TAKEN: In October 1978, the Board proposed for comment several amendments to the regulation. In April of 1979 one of the proposals was adopted (44 FR 23813, April 23, 1979). The amendment clarified that persons who regularly refer consumers to creditors were subject to the general proscriptions against discrimination but were not subject to the mechanical and recordkeeping provisions of the regulation. Three proposals, which would affect creditors that extend credit to small businesses, have yet to be acted upon. These proposals would extend recordkeeping and adverse action notification requirements to business loans of under \$100,000. Inquiries as to marital status of applicants would be prohibited in all business credit

applications. It is expected that these matters will be considered by the Board during the next six months in conjunction with action on the proposed credit-scoring interpretations that are also outstanding. (See entry B.1.)

AUTHORITY: Equal Credit Opportunity Act, 15 U.S.C. 1691b.

DOCKET NUMBER: R-0185.

STAFF CONTACT: Dolores S. Smith, Assistant Director, Division of Consumer and Community Affairs, (202-452-2412).

****3. Regulation: D—Reserve Requirements of Depository Institutions (12 CFR Part 204)**

ACTION TAKEN: The Board will consider further during the next six months a proposal to adopt contemporaneous reserve accounting. In August 1980, the Board stated that it is disposed toward returning to contemporaneous reserve accounting if investigation indicates that such a system is practical (45 FR 56009, August 22, 1980). The proposal would change the reserve maintenance schedule of depository institutions to coincide with reserve computation periods as a means of improving the System's ability to meet its monetary policy objectives. Such a proposal would affect the reserve management practices of all depository institutions with \$15 million or more in total deposits.

AUTHORITY: 12 U.S.C. 461 *et seq.*

DOCKET NUMBER: R-0306.

STAFF CONTACT: David Lindsey, Assistant Director, Division of Research and Statistics, (202-452-2601); Gilbert T. Schwartz, Associate General Counsel, Legal Division, (202-452-3625).

†4. Regulation: G—Securities Credit by Persons Other than Banks, Brokers or Dealers (12 CFR Part 207); T—Credit by Brokers and Dealers (12 CFR Part 220); and U—Credit by Banks for the Purpose of Purchasing or Carrying Margin Stocks (12 CFR Part 221)

ACTION TAKEN: In June and July 1981, proposals to revise the Board's margin regulations were published for comment as part of the Board's Regulatory Improvement Project. The objectives of the proposed revisions, as described below and in the proposal's Initial Regulatory Flexibility Analysis, are to simplify the regulations and to reduce the burden of compliance wherever possible for individual and business borrowers.

In its first group of proposed amendments (46 FR 32592, June 24, 1981) to its margin regulations, the Board proposed to amend Regulation T to:

1. Eliminate "equity building" devices; consolidate bond accounts with the General Account; and require in certain circumstances, an off-setting adjustment to any highly leveraged General Account by transfers from the customer's Special Miscellaneous Account.

2. Relax the restriction on the arranging of credit for customers by investment bankers to permit investment banking services that may be otherwise prohibited.

For Regulation U, the Board proposed to change the collateral test to exempt from quantitative limitation all bank credit not secured by margin equity securities. At the present time a purpose loan that is collateralized by any stock is subject to the margin regulation.

In a second announcement (46 FR 37516, July 21, 1981), the following principal changes in the Board's margin regulations were proposed:

1. Regulation T would be amended to reduce the number of types of securities and other accounts subject to Regulation T from eleven to seven and to restructure the accounts along functional lines. Four of the accounts would be used for public customer transactions and three for transactions between industry members.

2. The terminology of Regulation T would be revised to prescribe the amount of margin required rather than the maximum loan value of securities used as collateral. This would conform to the terminology generally used by the securities industry.

3. The definition of "indirectly secured" margin loans in Regulations U and G would be amended to achieve more objective standards. This action would affect principally lending arrangements, by banks and insurance companies with corporate borrowers, that contain restrictions on disposition of the borrower's assets.

4. Regulation G would be amended to broaden the types of credit which may be extended by lenders subject to that regulation, chiefly insurance companies and credit unions.

The Board will review comments on these proposals and is expected to take further action during the next six months.

AUTHORITY: Securities Exchange Act of 1934, 15 U.S.C. 78g, w.

DOCKET NUMBER: R-0362.

STAFF CONTACT: Laura Homer, Securities Credit Officer, Division of Banking Supervision and Regulation, (202-452-2781); Robert Rewald, Division of Research and Statistics, (202-452-3637) Board of Governors of the Federal Reserve System, Washington, D.C.; or

Mindy R. Silverman, (212-791-5032), James M. McNeil, (212-791-5914) Federal Reserve Bank of New York.

5. Regulation: J—Collection of Checks and Other Items and Wire Transfer of Funds (12 CFR Part 210)

ACTION TAKEN: In May 1981, the Board issued for public comment proposals to amend Subpart A of Regulation J by (1) redefining the terms "sender" and "bank" to include a depository institution as defined in 12 U.S.C. 461(b), namely, banks and thrift institutions, (2) imposing on a paying bank that returns an item an indemnity for loss or expense resulting from return of the item beyond the deadlines provided in the regulation, (3) incorporating provisions for collecting coupons and other securities similar to provisions regarding the payment and return of cash items, and (4) imposing a warranty and related indemnity regarding wire advice of nonpayment on a paying bank which returns a cash item (46 FR 24576, May 1, 1981). After considering the comments received, the Board adopted the first proposal in substantially the form proposed (46 FR 42059, August 19, 1981). Final action on the other three items is expected during the next six months. In its consideration of these proposals, the Board has taken account of the requirements of the Regulatory Flexibility Act, 5 U.S.C. 601-612, and has concluded that none are expected to have a significant economic impact on a substantial number of small entities.

AUTHORITY: Sections 13, 16, and 11(i) of the Federal Reserve Act, 12 U.S.C. 342, 248(o), 360, and 248(i).

DOCKET NUMBER: R-0357.

STAFF CONTACT: Joseph R. Alexander, Attorney, Legal Division, (202-452-2489).

****6. Regulation: T—Credit by Brokers and Dealers (12 CFR Part 220)**

ANTICIPATED ACTION: In the last Semiannual Agenda, reference was made to possible consideration of an amendment to Regulation T dealing with back office procedures of brokers-dealers.

Such an amendment has been proposed as part of the current revision of Regulation T (46 FR 32592, June 24, 1981). The Board will review the comments on the proposal and is expected to take further action during the next six months. (See entry B.4.)

AUTHORITY: Securities Exchange Act of 1934, 15 U.S.C. 78g and w.

STAFF CONTACT: Laura Homer, Securities Credit Officer, Bruce Brett,

Securities Regulation Analyst, Division of Banking Supervision and Regulation, (202-452-2781).

†7. Regulation: T—Credit by Brokers and Dealers (12 CFR Part 220)**

ACTION TAKEN: In June 1981, the Board issued for public comment a proposed amendment to Regulation T to provide special rules for margin on options written on Treasury or Government National Mortgage Association (GNMA) securities (46 FR 32033, June 19, 1981).

The Securities and Exchange Commission on February 24, 1981, approved a Chicago Board Options Exchange proposal to trade options on GNMA securities. The Board's existing margin requirements for options on equity securities will be applicable unless relaxing changes are made for options on fixed income securities. If special rules are not adopted, the markets for these risk-transferring instruments may not be economically viable. Sectors affected by such a proposal would include securities brokers, government securities dealers, mortgage bankers, option exchanges, and the general public who may wish to take positions in the options market.

The Board's June 16, 1981 action requested public comment on two alternative margin-setting proposals for options on government and government agency debt issues. One such proposal would permit brokers and dealers to give "good faith" loan value to an option which has been purchased and would permit a "good faith" margin when an option contract is written. Under the alternate proposal, the Board would set a margin requirement of 130 percent of the option premium, plus \$1,000 for the initial writing of all uncovered option contracts on exempt debt securities. Under this proposal no option contract would be permitted to have loan value.

The Board will review the comments on the proposals and is expected to take further action during the next six months.

AUTHORITY: Securities Exchange Act of 1934, 15 U.S.C. 78 g and w.

DOCKET NUMBER: R-0082.

STAFF CONTACT: Laura Homer, Securities Credit Officer, Bruce Brett, Securities Regulation Analyst, Division of Banking Supervision and Regulation (202-452-2781).

****8. Regulation: Y—Bank Holding Companies and Change in Bank Control (12 CFR 225.7)**

ACTION TAKEN: In February 1979, the Board adopted regulations to implement the Change in Bank Control Act, under which any person seeking to acquire

control of any insured bank or bank holding company must provide 60 days' prior written notice to the appropriate Federal banking agency. At the same time the Board invited public comment on the final regulations (44 FR 7229, February 6, 1979); following review of the comments received, the Board will determine whether further action should be taken.

AUTHORITY: Change in Bank Control Act of 1978, 12 U.S.C. 1817(j).

DOCKET NUMBER: R-0199.

STAFF CONTACT: Carl Howard, Senior Attorney, Legal Division (202-452-3786); Jack M. Egerton, Assistant Director, Division of Banking Supervision and Regulation (202-452-3408).

9. Regulation: Y—Bank Holding Companies and Change in Bank Control (12 CFR 225.4(a))

ACTION TAKEN: In June 1981, the Board issued for public comment a proposed amendment to Regulation Y to include the issuance of travelers checks in the list of activities permissible for bank holding companies (46 FR 32594, June 24, 1981).

Before a bank holding company is allowed to engage in a nonbanking activity, the Board must first determine that (1) the activity is "so closely related to banking * * * as to be a proper incident thereto." and (2) permitting the particular company to engage in the activity is in the public interest. The Board may make the "closely related" determination by issuing an order in an individual case upon request or by adopting a regulation; the public interest determination is always made on a case-by-case basis. On several occasions the Board has found by order that the issuance of travelers checks by particular holding companies is closely related to banking. In view of the increased number of applications to engage in this activity, the Board is proposing to make the general "closely related" determination by regulation.

The change would impose no additional burden on any bank holding company; indeed, it should facilitate the application process for any company wishing to engage in the activity because the company would merely have to refer to the regulation without offering specific evidence on the "closely related" test.

The Board will review the comments received on the draft proposal and is expected to take final action on the proposal during the next six months.

AUTHORITY: Bank Holding Company Act, 12 U.S.C. 1843(c)(8).

DOCKET NUMBER: R-0361.

STAFF CONTACT: Richard Whiting, Senior Attorney, Legal Division (202-

452-3779); Susan Weinberg, Attorney, Legal Division (202-452-3707).

****10. Guidelines for Enforcement of the Equal Credit Opportunity and Fair Housing Acts**

ACTION TAKEN: In July 1978, the five Federal financial regulatory agencies—Comptroller of the Currency, Federal Deposit Insurance Corporation, Federal Home Loan Bank Board, National Credit Union Administration, and the Federal Reserve Board—issued for public comment proposed uniform guidelines for enforcement of the Equal Credit Opportunity and Fair Housing Acts (43 FR 29256, July 6, 1978). The guidelines would specify the kind of corrective action a creditor would be requested to take for violations of the more substantive provisions of the Equal Credit Opportunity Act (Regulation B) and the Fair Housing Act. Based on the comments received and further deliberation, the agencies, under the direction of the Federal Financial Institutions Examination Council, have developed a policy statement and agency guidelines for implementing the policy statement. These have been recommended to the agencies for possible adoption by October 1981.

AUTHORITY: Equal Credit Opportunity Act, 15 U.S.C. 1691, *et seq.*, Federal Deposit Insurance Act, 12 U.S.C. 1818(b).

DOCKET NUMBER: R-0168.

STAFF CONTACT: Jerauld C. Kluckman, Associate Director, Division of Consumer and Community Affairs (202-452-3401).

C. REGULATORY MATTERS THE BOARD MAY CONSIDER DURING THE NEXT SIX MONTHS

†1. Regulation: E—Electronic Fund Transfers (12 CFR Part 205)

ANTICIPATED ACTION: The Board has been asked by financial institutions to consider publishing for comment amendments to the regulation concerning (1) a limited exemption for small institutions that participate in the federal government's direct deposit program, but do not offer other electronic services subject to the regulation; (2) a partial exemption from the periodic statement requirements for savings accounts that are accessible by intra-institutional telephone transfers; and (3) modification of certain requirements for institutions that offer electronic services internationally.

The suggested amendments, if proposed and adopted by the Board, would relax existing regulatory burdens for a number of small institutions (under the first two items listed above) and for

institutions that are members of debit-credit card networks (under the third item). It is believed that these proposed changes would not result in any loss of significant protections for consumers.

The Board is expected to consider, within the next six months, whether to publish these proposals.

AUTHORITY: Electronic Fund Transfer Act, 15 U.S.C. 1693b.

STAFF CONTACT: Dolores S. Smith, Assistant Director, Division of Consumer and Community Affairs (202-452-2412).

†2. **Regulation: G—Securities Credit by Persons Other than Banks, Brokers, and Dealers (12 CFR Part 207); T—Credit by Brokers and Dealers (12 CFR Part 220); and U—Credit by Banks for the Purpose of Purchasing or Carrying Margin Stocks (12 CFR Part 221)**

ANTICIPATED ACTION: The Board will consider issuing for public comment proposed amendments to the requirements set forth in Regulations G, T and U for initial and continued inclusion on the List of OTC Margin Stocks.

In July 1969, the Board adopted criteria for including stocks on the List of OTC Margin Stocks. In discussions leading to the selection of the criteria, the Board indicated that (a) stocks to be included on the List should have market characteristics similar to exchange-listed securities; (b) manipulation by issuers to permit or prevent inclusion or non-inclusion should be made as difficult as possible, and (c) fluctuations in the List should be minimized.

Recommended changes in the OTC List criteria are the result of a staff review of the OTC Margin stock listing and continued listing requirements in light of recent developments in the securities markets in general, the OTC market in particular, and staff experience with administering the requirements. It is believed that revising the criteria is especially appropriate at this time because of a recent decision to revise the List three times a year commencing in 1982 rather than twice a year as is the current practice. This has been a frequent recommendation of the securities industry.

Stocks included on the List of OTC Margin stocks may be bought and held on margin at brokerage firms, and some market participants believe this broadens the market for these stocks. To the extent this is true, changes in the listing criteria may affect the future growth of the List and might have some effect on the ability of small corporations to raise additional equity capital from the public.

AUTHORITY: Securities Exchange Act of 1934, 15 U.S.C. 78g and w.

STAFF CONTACT: Robert S. Plotkin, Assistant Director; Laura Homer, Securities Credit Officer; Jamie Lenoci, Financial Analyst, Division of Banking Supervision and Regulation, (202-452-2781).

† **3. **Regulation: K—International Banking Operations (12 CFR Part 211)**

ANTICIPATED ACTION: The Board will consider publishing for comment a revised proposal that would permit Edge Corporations to provide a broader range of banking services than is now permissible to a limited class of customers. While Edge Corporations are in most instances owned by major banks, the proposal would also afford scope for smaller banks to compete more effectively in development and supply of services to support U.S. trade. Pursuant to the International Banking Act, a similar proposal was published for comment in February 1979 (44 FR 10509, February 21, 1979), to improve the competitive position of Edge Corporations.

Action on this matter would represent a relaxation of regulatory burden on Edge Corporations and would permit a shift to a more cost-effective method of supervision of Edge Corporations.

AUTHORITY: International Banking Act of 1978, 12 U.S.C. 3101. Federal Reserve Act 12 U.S.C. 601 and 615.

STAFF CONTACT: James S. Keller, Senior Attorney, Legal, (202-452-3582); Henry S. Terrell, Chief, International Banking Section, Division of International Finance, (202-452-3768).

4. **Regulation: K—International Banking Operations (12 CFR Part 211)**

ANTICIPATED ACTION: The Board will consider publishing for comment an amendment to Regulation K that would permit Edge Corporations in the United States to offer certain investment, financial and economic advisory services. These services would include providing general economic information and certain portfolio investment advice, as well as managing investment portfolios for non-U.S. customers of the Edge Corporation.

This proposal, in response to a request by a U.S. banking organization in accordance with Regulation K, would enable Edge Corporations to offer a service that currently is not on the list of activities permissible for an Edge Corporation in the U.S. The proposal would impose no additional burden on any Edge Corporation.

AUTHORITY: Federal Reserve Act, 12 U.S.C. 616. International Banking Act of 1978, 12 U.S.C. 611.

STAFF CONTACT: Melanie L. Fein, Attorney, Legal Division, (202-452-3594); Henry N. Schiffman, Division of Banking Supervision and Regulation, (202-452-2525).

5. **Regulation: T—Credit by Brokers and Dealers (12 CFR 220.4(c))**

ANTICIPATED ACTION: The Board will consider issuing for public comment either an amendment to the special cash account provision of Regulation T or an interpretation to facilitate the covered writing of options by institutions and other entities which are prevented by law from using margin accounts. Because of processing delays in delivery versus payment arrangements in which escrow receipts from banks are used, brokers have asked for more flexibility than presently permitted.

Lifting the Securities and Exchange Commission's moratorium on option expansion has increased the difficulties encountered by brokers, and the Board's staff has verified with banks that a problem exists. With respect to the Regulatory Flexibility Act (5 U.S.C. 601-612), it is not expected that such a proposal would be likely to have a significant economic impact on a substantial number of small entities.

AUTHORITY: Securities Exchange Act of 1934, 15 U.S.C. 78g and w.

STAFF CONTACT: Robert Lord, Attorney, Securities Regulation Section, Division of Banking Supervision and Regulation, (202-452-2781).

6. **Regulation: T—Credit by Brokers and Dealers (12 CFR Part 220)**

ANTICIPATED ACTION: The Board will consider issuing for public comment a proposed amendment to Regulation T to permit letters of credit to be used as collateral in connection with the lending of securities. The current rule (12 CFR 220.6(h)) permits only cash to be used as collateral when creditors borrow securities to make delivery in the cases of short sales, failures to receive securities required to be delivered, or in other circumstances involving settlement of securities transactions. In addition, staff has expressed the view that Treasury bills may also be used as collateral.

Members of the securities industry and institutional lenders of securities have requested Board staff to review Regulation T with a view toward permitting the use of letters of credit in securities lending transactions. They argue that a low-cost alternative to cash

deposits in such transactions is necessary under current economic conditions. They also argue that the use of letters of credit would be more efficient since it eliminates transfers of money and book entry problems. In addition, the newly revised Federal Bankruptcy Code has created uncertainty over the rights of securities lenders to the cash collateral deposited by a broker/borrower in the event of the latter's insolvency. Finally, the Department of Labor has recently given permission to employee benefit plans to lend securities and take back letters of credit as collateral. It is not expected that such a proposal would have an adverse impact on any small institutions.

AUTHORITY: Securities Exchange Act of 1934, 15 U.S.C. 78g and w.

STAFF CONTACT: Laura Homer, Securities Credit Officer, Division of Banking Supervision and Regulation, (202-452-2781).

7. Regulation: Y—Bank Holding Companies and Change in Bank Control (12 CFR 225.4(a)(9))

ANTICIPATED ACTION: The Board will consider issuing for public comment a proposal to amend Regulation Y to authorize bank holding companies to act as agents for the sale of renewal insurance.

In rulemaking proceedings to conform the Board's insurance agency regulation (Section 225.4(a)(9) of Regulation Y) to a court decision, the Board in July 1981, deleted the authority for bank holding companies to sell renewal insurance. In connection with that rulemaking proceeding, the Board had received comments from several organizations requesting that the authority for bank holding companies to sell renewal insurance be re-added to Regulation Y. In addition the Board received a request opposing the inclusion of renewal insurance within the final regulation. The proposal was deferred pending final Board action on the rulemaking proceedings referred to above; now that those proceedings are completed the Board will consider issuing for public comment a proposal to amend Regulation Y to authorize bank holding companies to act as agents for the sale of renewal insurance.

If the Board determines to issue this proposal, it would seek comment from the public on whether the activity is "so closely related to banking * * * as to be a proper incident thereto," including comment on whether performance of the activity by an affiliate of a bank holding company can reasonably be expected to produce benefits to the public that

outweigh possible adverse effects. The proposal would impose no additional burden on any bank holding company.

AUTHORITY: Bank Holding Company Act, 12 U.S.C. 1843(c)(8).

STAFF CONTACT: Richard Whiting, Senior Attorney, Legal Division, (202-452-3779).

****8. Regulation: AA—Unfair or Deceptive Acts and Practices (12 CFR Part 227)**

ANTICIPATED ACTION: The Board is required by the Federal Trade Commission Act to adopt a rule applicable to the acts or practices of banks that is substantially similar to a trade regulation rule adopted by the FTC prohibiting certain acts or practices of other creditors as unfair or deceptive, unless the Board finds that such acts or practices of banks are not unfair or deceptive or that implementation of a similar rule with respect to banks would seriously conflict with essential monetary and payments systems policies of the Board. In response to a proposed FTC rule (known as the "creditor holder-in-due-course rule") governing the preservation of consumers' claims and defenses, the Board published a comparable proposal for comment (41 FR 7110, February 17, 1976). The proposal would require the insertion in certain credit contracts of a notice preserving a consumer's claims and defenses against a seller of goods or services so that they can be raised against any holder of the contract. The FTC published a revised version of its creditor rule for comment in November 1979, and is expected to take final action sometime in 1981. When a final FTC rule is adopted, the Board will consider publishing a new proposal for comment or taking other appropriate regulatory action.

AUTHORITY: Section 18(f) of Federal Trade Commission Act, 15 U.S.C. 41 *et seq.*

DOCKET NUMBER: R-0006.

STAFF CONTACT: Dolores S. Smith, Assistant Director, Division of Consumer and Community Affairs, (202-452-2412).

****9. Regulation: Rules Regarding Availability of Information (12 CFR Part 261)**

ANTICIPATED ACTION: The Board will consider issuing for public comment certain amendments to its Rules Regarding Availability of Information in order to bring them into conformity with existing information disclosure law as it has developed since the regulation was last amended, and also in order to take advantage of the staff's experience

working with the Freedom of Information Act. With respect to the Regulatory Flexibility Act (5 U.S.C. 601-612), it is not expected that proposals in the area would create any additional burden for small businesses.

AUTHORITY: Freedom of Information Act, 5 U.S.C. 552.

STAFF CONTACT: Stephen L. Siciliano, Senior Counsel, Legal Division, (202-452-3920).

****10. Regulatory Improvement Project**

ANTICIPATED ACTION: The Board's Regulatory Improvement Project involves, among other things, a substantive, zero-base review of all Federal Reserve regulations that affect the public to determine (1) the fundamental objectives of the regulation and the extent to which it is meeting current policy goals, (2) nonregulatory alternatives that would accomplish the objectives, (3) costs and benefits of the regulation, (4) unnecessary burdens imposed by the regulation, and (5) the clarity of the regulation.

During the next six months, the staff is expected to complete its review of Regulation Y (Bank Holding Companies and Change in Bank Control), and public comment on proposed changes may be sought during this period. In addition, the Project will be continuing its review of the "margin credit" regulations; Regulation G (Securities Credit by Persons Other than Banks, Brokers, or Dealers), Regulation T (Credit by Brokers and Dealers), Regulation U (Credit by Banks for the Purposes of Purchasing or Carrying Margin Stocks), and Regulation X (Rules Governing Borrowers Who Obtain Securities Credit). The staff will be reviewing the comments that were due by September 15, 1981, on some margin credit proposals, and additional requests for public comment may be made over the coming six months. The Project will also participate in other regulatory action listed in this agenda to ensure that the objectives of the Project are met.

AUTHORITY: Financial Simplification Act of 1980, 12 U.S.C. 3501.

STAFF CONTACT: Barbara R. Lowrey, Assistant Secretary, Office of the Secretary, (202-452-3742).

Board of Governors of the Federal Reserve System, September 24, 1981.

Barbara R. Lowrey,
Assistant Secretary of the Board.

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