FEDERAL RESERVE BANK
OF NEW YORK

At-Circ. No. 92826

April 26, 1982

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

To the Addressee:

Printed below is the text of the Board of Governors' Semiannual Regulatory Flexibility Agenda for the period April 1, 1982 through October 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 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 April 1, through October 1, 1982. The Board's next semiannual agenda will be published in October 1982.

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

ADDRESS: Comments should 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 (October 1, 1981 through April 1, 1982) 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 for public comment *after* the January 1, 1981 effective date of the Regulatory Flexibility Act.

A. Regulatory Matters From the October 1, 1981 Through April 1, 1982 Semiannual Agenda on Which Final Action Has Been Taken

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

Action taken: In October 1981, the Board issued for public comment and subsequently adopted an amendment to Regulation K that permits Edge Corporations in the United States to offer certain investment, financial and economic advisory services (47 FR 11817, March 19, 1982). These services 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. These services may be provided for U.S. customers only with respect to foreign assets.

The amendment imposes no additional burden on any Edge Corporation.

Authority: Federal Reserve Act, 12 U.S.C. 611; 611a, as added by the International Banking Act of 1978; and 616.

Docket number: R–0366.

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

2. 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 Board's action requested public comment on two alternative margin-setting proposals for options on govenment 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.

In October 1981, following review of the public comments, the Board adopted an amendment to Regulation T to require brokers and dealers to obtain "good faith" margin from customers who write options on government securities (46 FR 49827, October 8, 1981).

The Board's final rule is a modification of the proposal it made in June. The "good faith" margin is to be

based on the maintenance margins of the exchange that trades the option. Under the amendment, no loan value may be accorded to the option itself.

By adopting the proposal the Board, as described in its Regulatory Flexibility Analysis, streamlined compliance by reducing regulatory overlap—a reduction that should be particularly beneficial to many small brokers, for whom compliance costs constitute a large proportion of administrative expenses.

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

Docket number: R–0082.

Staff contract: Laura Homer, Securities Credit Officer; Bruce Brett, Securities Regulation Analyst, Division of Banking Supervision and Regulation, (202–452–2781).

3. Regulation: Y—Bank Holding Companies and Change in Bank Control (12 CFR Part 225)

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.

Following review of the public comments, the Board adopted the proposal in substantially the form proposed (46 FR 58065, November 30, 1981). Adoption of this proposal imposes no additional burden on any bank holding company.

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

Docket number: R–0361.

Staff contract: Richard Whiting, Senior Attorney, Legal Division, (202–452–3779); Susan Weinberg, Attorney, Legal Division, (202–452–3707).

4. 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 adopted a policy statement and agency guidelines for implementing the policy statement (46 FR 56500, November 17, 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).

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, solicited 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 interpretations, the first dealing with consideration of income and the second with the selection and disclosure of reasons for adverse action (45 FR 56818, August 26, 1980). The proposals would primarily affect creditors that use credit scoring systems. The Board 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: Lucy H. Griffin, Senior Attorney, 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 1979, one of the proposals was adopted (44 FR 23813, April 23, 1979). The three remaining proposals would affect creditors that extend credit to small businesses by extending 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.

The Board is expected to consider these matters 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. In November 1981, the Board solicited additional public comments on a proposal to adopt contemporaneous reserve accounting (46 FR 58184, November 30, 1981). 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–0371.

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: E—Electronic Fund Transfers (12 CFR Part 205)**

Action taken: In March 1982, the Board approved issuing for public comment amendments to the regulation that would provide (1) an exemption for small institutions limited to their participation in the federal government's direct deposit program; (2) an exemption from the periodic statement requirements for certain telephone transfers between a consumer's accounts held at the same institution; (3) modification of certain requirements for institutions that offer electronic services internationally; and (4) an exception to the required disclosure on the terminal receipt of type of account affected, for certain transfers in a regional or nationwide interchange system.

The proposed amendments, if 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 and fourth item). It is believed that these proposed changes would not result in the loss of significant protections for consumers. The Board will review the comments and is expected to take further action within the next six months.

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

Docket number: R–0388.

Staff contact: John C. Wood, Senior Attorney, Division of Consumer and Community Affairs, (202–452–2412).

****5. 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); X—Rules Governing Borrowers Who Obtain Securities Credit (12 CFR Part 224)**

Action taken: In June and July 1981, the Board proposed for public comment major revisions to simplify its margin regulations. Following review of the public comments, the Board in January 1982, amended the existing rules to grant relief and flexibility in areas where the comments disclosed no substantial disagreement with the Board's proposals and the amendments could be adopted without substantial modification of the existing regulations (47 FR 2981, January 21, 1982). These changes will relax regulatory treatment of individual and business borrowers, enhance the financing capabilities of small as well as large businesses, and increase the

consistency of treatment across all lenders.

The effects of these amendments are:

1. *Regulation G:* Permit lenders subject to this regulation (chiefly insurance companies and credit unions) to extend the scope of their lending, give them more flexibility with respect to collateral, and clarify the definition of indirect security for loans.

2. *Regulation T:* Relax restrictions on the arranging of credit by brokers and dealers to permit investment banking services that may otherwise be prohibited.

3. *Regulation U:* Revise the applicability of the regulation so as to exempt bank credit not secured by margin equity securities, and clarify the definition of indirect security credit, as in Regulation G.

4. *Regulations G, T and U:* Remove some restrictions on transactions in highly leveraged margin accounts, thereby giving these account holders greater flexibility in reallocating portfolios.

During the next six months, the Board is expected to consider proposing for public comment simplified versions of the other three margin credit regulations (G, U, and X), as well as reviewing the comments on the proposed revision of Regulation T. A simplified revision of Regulation T was approved for public comment on March 24, 1982.

Authority: Securities Exchange Act of 1934, 15 U.S.C 78 g and 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), or James M. McNeil, (212–791–5914), Federal Reserve Bank of New York.

†6. 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)**

Action taken: In November 1981, the Board issued 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, (46 FR 57532, November 24, 1981).

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 the 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.

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–0372.

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).

7. 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 February 1982, the Board issued for public comment a regulatory framework that could be used to establish margin requirements on futures contracts based on stock indexes (47 FR 8788, March 2, 1982). This action was taken in connection with the Board's review of an application by the Kansas City Board of Trade (KCBOT) to trade in stock market index futures contracts.

The Board decided not to specify a margin requirement on stock index futures contracts at that time, following action by the Commodity Futures Trading Commission permitting the KCBOT to trade such a contract.

The Board noted actions taken by the KCBOT to increase its own initial margin requirements on these futures contracts and to narrow the definition of hedging for margin purposes. In view of this, the Board decided not to take immediate action of its own.

However, the Board indicated that, because formal margin requirements on stock index futures contracts may be appropriate later to limit the use of speculative credit and to assure competitive equality with stock options—on which margin requirements are currently imposed—it plans to monitor the development and operation of this market closely.

The Board therefore asked for comment both on specific issues related to establishment of margin requirements on stock index futures contracts and related instruments and on a proposed framework for such regulation.

Specifically, the public was asked to comment on the following issues in connection with stock index futures contracts and related instruments:

1. The appropriate level of margin;

2. The appropriate definition of a hedge transaction;

3. The use of Regulation G or T to cover futures commission merchants that may not otherwise be subject to the Board's margin regulations;

4. The proper customer account to use in Regulation T for these instruments; and

5. The treatment of bank loans and loans from other lenders for the purpose of meeting margin calls and related costs.

The objective of several of the foregoing questions is to design a regulatory framework that would create the least operational problems for borker-dealers presently subject to Regulation T and those firms not presently covered, while providing comparable treatment of the two groups. It is not expected that this proposal would have a significant impact on a substantial number of small firms.

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

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

Docket number: R–0385.

Staff contact: Laura Homer, Securities Credit Officer; Robert Lord, Attorney, Division of Banking Supervision and Regulation, (202–452–2781).

****8. 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 provision 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).

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

Action taken: In November 1981, the Board issued for public comment a proposed amendment to Regulation T to permit letters of cedit to be used as collateral in connection with the lending of securities (46 FR 55533, November 10, 1981). 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 believe that 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 economic impact on any small institutions.

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

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

Docket number: R–0370.

Staff contact: Laura Homer, Securities Credit Officer, Division of Banking Supervision and Regulation, (202–452–2781).

****10. Regulation: Y—Bank Holding Companies and Change in Bank Control (12 CFR Part 225)**

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). It is not anticipated that the Board will take further action on this matter within the next six months. However, these regulations will be considered by the Board in the context of the general revision of Regulation Y that will be proposed in the near future. (See entry C.10.)

Authority: Change in Bank Control Act of 19787, 12 U.S.C. 1817(j).

Docket number: R–0199.

Staff contact: Carl Howard, Senior Attorney, Legal Division (202–452–3786); Jack M. Egerston, Assistant Director, Division of Banking Supervision and Regulation, (202–452–3408).

11. Regulation: Y—Bank Holding Companies and Change in Bank Control (12 CFR Part 225)

Action taken: In October 1980, the Board issued for public comment a proposed amendment to Regulation Y to modify the scope of permissible data processing activities for bank holding companies. (45 FR 75221, November 5, 1980). In July 1981, the Board clarified this proposal by issuing a more detailed description of the proposed rule. (46 FR 37905, July 23, 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 requester or by adopting a regulation; the public interest determination is always made on a case-by-case basis. The Board has previously determined that certain data processing activities are closely related to banking. In view of some uncertainty regarding the exact scope of permissible data processing activities, however, the Board proposed to modify the existing regulation through rulemaking procedures before an administrative law judge. The administrative law judge is expected to make a recommendation to the Board within the next three months.

The proposed 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 the administrative law judge's recommendation 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–0363.

Staff contact: Carl Howard, Senior Attorney, (202–452–3786); Pamela Nardolilli, Attorney, Legal Division, (202–452–3289).

12. Regulation: Y—Bank Holding Companies and Change in Bank Control (12 CFR Part 225)

Action taken: In December 1981, the Board issued for public comment notice of an application by J. P. Morgan & Co., Inc. to act as a futures commission merchant with respect to futures contracts in bullion, foreign exchange, U.S. Government securities, and money market instruments. At the same time, the Board requested comment on the question whether these activities should be added to the list of activities permissible for bank holding companies generally. (46 FR 60503, December 10, 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 acting as a futures commission merchant with respect to certain financially related commodities is closely related to banking. The Board has now requested comment as to whether a general "closely related" determination should be made 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–0375.

Staff contact: Carl Howard, Senior Attorney, (202–452–3786); Anthony Winer, Attorney, Legal Division, (202–452–2418).

13. Regulation: Y—Bank Holding Companies and Change in Bank Control (12 CFR Part 225)

Action taken: In December 1981, the Board published for comment a proposal to authorize BankAmerica Corporation to engage in financing commercial real estate development by the placement of equity interests. The Board also indicated that it was considering whether to amend Regulation Y to incorporate the proposed activity into the list of those generally permissible for bank holding companies.

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" by issuing an order in an individual case upon request or by adopting a

regulation; the public interest determination is made on a case-by-case basis. Any change of the regulation, if adopted, would impose no additional burden on any bank holding company; rather, it would reduce burden by expanding the nonbanking activities in which bank holding companies may engage.

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–0376.

Staff contact: Bronwen Mason, Senior Counsel, (202–452–3564); Mary Ann Gadziala, Attorney, Legal Division, (202–452–3786).

C. Regulatory Matters the Board May Consider During the Next Six Months

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

Anticipated action: The Home Mortgage Disclosure Act (HMDA) and Regulation C provide that state-chartered depository institutions within a state may be exempt from the federal requirements if two conditions are met: (1) The state requirements are substantially similar to federal requirements, and (2) there is adequate provision for enforcement. Upon application, the Board is directed to determine whether the conditions for exemption are met, and to grant or deny the application.

Certain state-chartered institutions are currently exempt from the federal requirements in five states: California, Connecticut, Massachusetts, New Jersey, and New York. Because changes were made to the federal home mortgage disclosure requirements effective August 11, 1981 (46 FR 40679), reapplications are required.

Applications for a continuation of the exemption have been received thus far from New Jersey and New York. The Board's staff is working with the state banking agencies in Massachusetts and Connecticut on their planned submissions. California, on the other hand, has withdrawn its application for budgetary reasons. California institutions currently exempt from Regulation C coverage will be required to comply with the federal law beginning with calendar year 1982. The Board will consider publishing for comment a notice concerning these applications in the near future, and will determine whether to continue the exemption after its review of the relevant documents.

State exemptions from federal law that are granted by the Board would result in fewer burdens on depository institutions subject to HMDA and located in those states (without significant loss of consumer protection) because duplicative requirements would be eliminated.

The HMDA and Regulation C apply to all depository institutions over $10 million in assets that have offices in SMSAs (Standard Metropolitan Statistical Areas) and that makes federally related mortgage loans.

Authority: The Home Mortgage Disclosure Act, 12 U.S.C. 2801 *et seq.*

Staff contact: John C. Wood, Senior Attorney, Division of Consumer and Community Affairs, (202–452–2412).

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

Anticipated Action: The Board will consider publishing for comment a proposal that would allow Federal Reserve Banks to charge depository institutions for cash letters that are made available to them on a weekday that is banking day for the Reserve Bank but not for the paying bank. The purpose of the amendment is to eliminate the float generated when depository institutions regularly close on weekdays, and to promote equity with other depository institutions that remain open on such days. The proposal will not impose any additional reporting, recordkeeping, or other compliance requirements on any institution, or duplicate, overlap, or conflict with any other federal rule. Board staff does expect, however, that affected institutions (approximately 450 of them with deposits of less than $20 million) could experience some reduction of earnings.

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

Staff contact: Joseph R. Alexander, Attorney, Legal Division, (202–452–2489).

**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 to improve the competitive position of Edge Corporations (44 FR 10509, February 21, 1979).

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 Division, (202–452–3582); Henry S. Terrell, Chief, International Banking Section, Division of International Finance, (202–452–3768).

4. Regulation: L—Management Official Interlocks (12 CFR Part 212)

Anticipated Action: The Board will consider issuing for public comment proposed amendments to Regulation L to update, clarify, and make technical changes in the light of the Board's experience with the regulation to date and recent amendments to the Interlocks Act (12 U.S.C. 3201 *et seq.*). It is not expected that such proposals would have any significant economic impact on the depository institutions, depository holding companies, and their affiliates affected by the regulation.

Authority: Depository Institutions Management Interlocks Act, 12 U.S.C. 3207.

Staff contact: Melanie L. Fein, Attorney, (202–452–3594); Bronwen Mason, Senior Counsel, Legal Division, (202–452–3564).

5. Regulation: M—Consumer Leasing (12 CFR Part 213)

Anticipated Action: The Truth in Lending Act and Regulation M provide that classes of lease transactions within a state may be exempt from some of the federal requirements if certain conditions are met. These conditions require an existing state law to be substantially similar to the federal law or to afford greater consumer protection and benefit, and to contain adequate provisions for enforcement. Upon application by a state, the Board is directed to determine whether the conditions for exemption are met, and either grant or deny the application.

The Board has received an application from Maine to exempt, under the Truth in Lending Act and Regulation M, certain lease transactions from federal requirements. The Board will consider publishing for comment a notice concerning this application, once it determines whether the conditions for exemption appear to have been satisfied in this case.

A state exemption from federal law that is granted by the Board would result in fewer burdens on lessors in that state (without significant loss of consumer protection) because duplicative requirements would be eliminated.

The Truth in Lending Act and Regulation M apply to all sectors of the economy that engage in lease transactions including banks and retail establishments.

Authority: The Truth in Lending Act, 15 U.S.C. 1601 *et seq.*

Staff contact: Clarence B. Cain and Rugenia Silver, Attorneys, Division of Consumer and Community Affairs, (202–452–2412).

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

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).

****7. Regulation: Y—Bank Holding Companies and Change in Bank Control (12 CFR Part 225)**

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 (§ 225.4(a)(9) of Regulation Y) to a court decision, the Board in July 1981, revoved 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 that were completed on July 15, 1981. On October 2, 1981, the Board considered the propoal to amend Regulation Y to authorize bank holding companies to act as agent for the sale of renewal insurance and decided to suspend further consideration in an effort to avoid the expense and delay associated with proceedings that in part might be duplicated by Congress in its examination of related matters.

Accordingly, if the Board determines to pursue 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).

Docket number: R–0150.

Staff contact: Richard Whiting, Senior Attorney, Legal Division, (202–452–3779).

8. Regulation: Z—Truth in Lending (12 CFR Part 226)

Anticipated action: The Truth in Lending Act and Regulation Z provide that state law requirements determined to be inconsistent with certain federal Truth in Lending requirements are preempted by the federal law and regulation. Upon request by any interested person or on its own motion, the Board is authorized to make determinations regarding inconsistent state law provisions for preemption purposes. The Act and regulation also provide that classes of transactions within a state may be exempt from some of the federal requirements if certain conditions are met. These conditions require an existing state law to be substantially similar to the federal law (or in certain instances to afford greater consumer protection) and to contain adequate provisions for enforcement. Upon application by a state, the Board is directed to determine whether the conditions for exemption are met, and then either grant or deny the application for exemption.

The Board has received four requests for preemption determinations concerning state laws in Arizona, Florida, Missouri, and South Carolina. The Board will consider publishing for comment a notice concerning its initial determination as to whether any or all of these four laws are preempted. The Board has also received applications from Maine and Connecticut to exempt, under the recently revised Truth in Lending Act and Regulation Z, certain transactions from federal requirements. Again, it is expected that the Board will consider publishing for comment a notice concerning these applications, once it determines whether the conditions for exemption appear to have been satisfied in each case.

Board determinations that state laws are inconsistent and thus preempted, and state exemptions from federal laws that are granted by the Board, would result in fewer burdens on creditors in those states (without significant loss of consumer protection) because in each case duplicate requirements would be eliminated.

The Truth in Lending Act and Regulation Z apply to all sectors of the economy that grant consumer credit including banks, credit agencies, and retail establishments.

Authority: The Truth in Lending Act, 15 U.S.C. 1601 *et seq.*

Staff contacts: Clarence B. Cain, Attorney, (202–452–2412); Lynn C. Goldfaden, Attorney, (202–452–3867); and Rugenia Silver, Attorney, (202–452–2412), Division of Consumer and Community Affairs.

****9. 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 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 (governing the preservation of consumers' claims and defenses), in 1976 the Board published a comparable proposal for comment (41 FR 7110). 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 creditory rule for comment in November 1979. When a final FTC rule is adopted, the Board will consider appropriate regulatory action.

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

Docket number: R–0006.

Staff contact: Lucy H. Griffin, Senior Attorney, Division of Consumer and Community Affairs, (202–452–2412).

****10. Regulatory Improvement Project**

Anticipated action: The Board's Regulatory Improvement Project involves, among other things, a substantive, zero-based 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 will complete its review of Regulation Y (Bank Holding Companies and Change in Bank Control), and public comment on proposed changes is expected to be sought during this period. These proposals are being designed to reduce regulatory burdens, and none is expected to have a significant adverse economic impact on any bank holding company. In addition, the Project will be continuing to develop simplified revisions 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). Substantive amendments of these regulations were made in January, 1982, and a revision of Regulation T was proposed for public comment in March, 1982. (See entry B.5.) 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 Regulation Simplification Act of 1980, 12 U.S.C. 3501.

Staff contact: Barbara R. Lowrey, Associate Secretary, Office of the Secretary, (202–452–3742).

Board of Govenors of the Federal Reserve System, March 24, 1982.

Barbara R. Lowrey,

Associate Secretary of the Board.

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