

FEDERAL RESERVE BANK
OF NEW YORK

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October 15, 1982

BOARD OF GOVERNORS' SEMIANNUAL AGENDA OF REGULATIONS
OCTOBER 1, 1982 — APRIL 1, 1983

To the Addressee:

Enclosed is the text of the Board of Governors' Semiannual Regulatory Flexibility Agenda for the period October 1, 1982 through April 1, 1983, 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 have been proposed and are still under consideration by the Board, (2) major regulatory reviews in progress under the Board's Regulatory Improvement Project and other regulatory matters the Board may consider during the next six months, and (3) regulatory matters from the Board's previous Semiannual Agenda on which final action has been taken.

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.

FRASER

Friday
October 1, 1982

Part III

Federal Reserve System

Semiannual Regulatory Flexibility Agenda

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 October 1, 1982 through April 1, 1983. The Board's next Semiannual Agenda will be published in April 1983.

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 on regulatory matters that have been proposed and that are under Board consideration; Section B reports on major regulatory reviews in progress under the Board's Regulatory Improvement Project and other regulatory matters the Board may consider for public comment during the next six months; and Section C reports those regulatory matters from the Board's last Semiannual Agenda (April 1, 1982 through October 1, 1982) on which final action has been taken.

A double asterisk (**) in Sections A and B 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, 1982 effective date of the Regulatory Flexibility act.

A. 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). In May, 1982, the Board substantially revised the two interpretations and again published them for comment (47 FR 23738, June 1, 1982) the proposals would primarily affect larger creditors that use credit scoring systems. (Very few small businesses use credit scoring systems.) The economic impact of either interpretation is unlikely to be significant. 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.

In May 1982, the Board proposed to withdraw these remaining amendments and sought comments to learn whether any recent changes in industry practices might affect the Board's consideration (47 FR 23741, June 1, 1982).

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 A.1.)

The proposed amendments, if adopted by the Board, would impose on commercial lending institutions additional notice and record-keeping requirements for business loans of less than \$100,000. These requirements would adversely affect the large number of small lenders that make business loans of such limited size. The benefits of the proposed amendments appear to be limited.

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: C—Home Mortgage disclosure (12 CFR Part 203)

Action taken: the Home Mortgage Disclosure Act (HMDA) and Regulation C provide that the Board may exempt state-chartered depository institutions within a state if two conditions are met: (1) state requirements are substantially similar to federal requirements, and (2) there is adequate provision for enforcement.

Five states (California, Connecticut, Massachusetts, New Jersey and New York) applied for exemptions from the Home Mortgage disclosure Act as recently revised. (California subsequently withdrew its application.) In May 1982, the Board published notice of the four applications for comment (47 FR 22370, May 24, 1982).

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 make federally related mortgage loans.

The Board will review the public comments and is expected to take final action in the next six months.

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

Docket number: R-0406.

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

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

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

Action taken: In August 1982, the Board requested public comment on a proposal to amend Regulations D and Q to reduce the minimum maturity of all time deposits to seven days (47 FR 38138, August 30, 1982). At present, time deposits are defined as deposits or accounts with a minimum maturity or required notice period of 14 days. Small banks would likely benefit from this proposal because it will provide an additional tool for them to use in competing with larger institutions for short-term, large-denomination deposits.

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

Authority: Section 19(a) of the Federal Reserve Act, 12 U.S.C. 461(a).

Docket number: R-0417.

Staff contacts: Gilbert T. Schwartz, Associate General Counsel, (202-452-3625); Paul S. Pilecki, Senior Attorney, (202-452-3281); and Beverly A. Belcamino, Legal Assistant, Legal Division, (202-452-3623).

****6. 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) a partial 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 (47 FR 12997, March 26, 1982).

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 final action within the next six months.

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

Docket number: R-0388

Staff contacts: John C. Wood, Senior Attorney; and Jessie Filkins, Senior Attorney, Division of Consumer and Community Affairs (202-452-2412).

****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); 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 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 formal margin requirements on stock index futures contracts may be appropriate later. The Board 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 contract and related instruments and on a proposed framework for such regulation. It is not expected that the proposals 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. 78c, g and w.

Docket number: R-0385.

Staff contacts: Laura Homer, Securities Credit Officer; and 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 April 1982, the Board requested public comment on 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 a banking day for the Reserve Bank but not for the paying bank (47 FR 15349, April 9, 1982). 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.

The Board will review the public comments and is expected to take further action within the next six months.

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-0392.

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

****9. 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).

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

Action taken: On September 15, 1982, the Board approved issuing for public comment proposed amendments to Regulation L, which generally prohibits certain management official interlocks between depository institutions, depository holding companies, and their affiliates. The proposals would update, clarify and make technical changes in light of the Board's experience with the regulation and recent amendments to the Interlocks Act (12 U.S.C. 3201 *et seq.*). It is anticipated that the Board will review the public comments and take further action on these proposals within the next six months.

At the same time, the Board adopted an amendment to Regulation L to conform its provisions to recent statutory amendments.

The final amendment, as well as the proposed amendments, if adopted, will not have a significant economic impact on a substantial number of small entities. Since the amendments would ease the application of the regulation on depository institutions, their effect is expected to be beneficial rather than adverse and small institutions would share the benefits with larger organizations.

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

Staff contacts: Melanie L. Fein, Attorney, (202-452-3594); and Browen Mason, Senior Counsel, Legal Division, (202-452-3564).

11. Regulation: Q—Interest on Deposits and Regulation D—Reserve Requirements of Depository Institutions (12 CFR Part 217 and 204)

Action taken: In August 1982, the Board requested public comment on a proposal to amend Regulations Q and D to increase the maximum size limitation on business savings accounts at member banks to \$250,000 (47 FR 38137, August 30, 1982). Currently, member banks are not permitted to accept savings deposits in excess of \$150,000 per depositor from organizations operated for profit. The Board is also inviting comment on the possibility of eliminating this limitation completely. Small banks would benefit

from either a liberalization or elimination of this limit because the change would allow these institutions to compete more effectively with thrift institutions, which currently are subject to no such limitation. Further, small businesses should be aided by the opportunity to place larger cash balance in interest-bearing accounts.

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

Authority: Section 19(a) of the Federal Reserve Act, 12 U.S.C. 461(a).

Docket number: R-0420.

Staff contacts: Gilbert T. Schwartz, Associate General Counsel, (202-452-3625); Paul S. Pilecki, Senior Attorney, (202-452-3281); and Beverly A. Belcamino, Legal Assistant, Legal Division, (202-452-3623).

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

Action taken: In March 1982, the Board proposed for public comment a complete revision of Regulation T (47 FR 13376, March 30, 1982). The proposal is part of the Board's Regulatory Improvement Project in which the Board is reviewing and revising all of its regulations to simplify their language and ease the burden of compliance. In its last semiannual agenda the Board indicated that it would consider issuing for public comment an amendment to Regulation T to facilitate the covered writing of options by institutions and other entities which are prevented by law from using margin accounts. Such a proposed amendment has been included as part of the Board's complete revision of Regulation T (proposed section 220.7, Cash Account).

The Federal Register documents published in June and July of 1981 (46 FR 32592 and 46 FR 37516) by the Board contained an Initial Regulatory Flexibility Analysis for the complete revision of Regulation T. Comments received on the proposals appear to agree with the Board's analysis. The two new items in this proposal concerning options clearing firms and option writing in the cash account should not have any substantial impact on small businesses.

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-0389.

Staff contacts: Laura Homer, Securities Credit Officer; and Robert Lord, Attorney, 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), and James M. McNeil, (212-791-5914), Federal Reserve Bank of New York.

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

Action taken: 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 Board has received four requests for preemption determinations concerning state laws in Arizona, Florida, Missouri, and South Carolina. In April 1982, the Board published for comment a notice concerning its determination as to whether any or all of these laws are preempted (47 FR 16201, April 15, 1982).

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 duplicative 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.

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

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

Docket number: R-0395.

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.

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

Action taken: In July 1982, the Board proposed for public comment two alternative methods for the treatment of seller's points and reduced rate financing under revised Regulation Z (47 FR 32433, July 27, 1982). One alternative would remove the current exclusion for seller's points from the finance charge disclosed under Truth in Lending. The other alternative would require that a disclosure be given to advise the

consumer that the seller has paid money to obtain the financing and that, if passed on in the form of a higher sales price or other charge, the annual percentage rate and the other disclosures understate the cost of credit. The action was taken in response to the increasing number of below-market rate financing arrangements that have been developed since adoption of the revised Regulation Z and the concerns raised by some that the regulation's exclusion of seller's points from the finance charge may permit an understatement of the annual percentage rate. Adoption of either of the proposed alternatives would affect lenders who both offer below-market rate financing and impose seller's points. It is not expected that either alternative would have a significant economic impact on a substantial number of small creditors or small sellers of new homes. It is unlikely that a substantial number of small creditors are involved in such buy-down transactions, and the incremental cost incurred by any particular small seller in changing its advertising to comply with the new requirements is not likely to be significant.

The original 30-day comment period was extended from August 27, 1982, to September 27, 1982 (47 FR 38548, September 1, 1982).

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

Docket number: R-0413.

Staff contacts: Clarence B. Cain, Staff Attorney, and Gerald P. Hurst, Staff Attorney, Division of Consumer and Community Affairs, (202-452-2414).

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

****1. 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 should complete its review of Regulation Y (Banking 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 A-12.) During the next six months, revisions of Regulation G, U, and X are expected to be proposed for comment. The Project will also participate in other regulatory actions 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).

****2. 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 605.

Staff contacts: Nancy P. Jacklin, Assistant General Counsel, Legal

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

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

Anticipated action: The Board will consider issuing for public comment an amendment to the definition of "OTC margin bond" in Regulation T expressly to permit private mortgage pass-through securities to be used as collateral for margin credit at brokerage firms. At present, any "OTC margin bond" is eligible for credit on a "good faith" basis. It is expected that such a proposal would contribute to greater competitive equality between brokers/dealers and commercial banks.

Staff believes there would be no significant economic impact on a substantial number of small entities if this proposed rule change is adopted.

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

Staff contacts: Laura Homer, Securities Credit Officer; Robert Lord, Attorney, Division of Banking Supervision and Regulation, (202-452-2781); or David Seiders, Senior Economist, Division of Research and Statistics, (202-452-2694).

****4. Regulation: Y—Banking 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 to the Board's insurance agency regulation (Section 225.4(a)(9) of Regulation Y) to a court decision, the Board in July 1981, removed 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 proposal 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).

***5. 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 claim 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. 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).

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

1. 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); U—Credit by Banks for the Purpose of Purchasing or Carrying Margin Stocks (12 CFR Part 221)

Action taken: In May 1982, following review of public comments, the Board adopted proposed amendments to its criteria for inclusion on the List of OTC Margin Stocks (47 FR 21756, May 20, 1982). These amendments (1) permit inclusion of securities of certain foreign issuers, (2) eliminate the alternative market value criterion and make the price and capital criteria mandatory, (3) reduce the initial listing capital and publicly-held share criteria, and (4) reduce the continued listing price and capital criteria.

The initial regulatory flexibility analysis indicated that because the proposals to amend the criteria involved a mixture of relaxing and tightening changes, it was not easy to judge the overall impact on small domestic entities—primarily those small-sized corporations whose stocks are traded in the over-the-counter market. However, no comments were received which would lead the Board to conclude that the adoption of these amendments would have a significant economic impact on a substantial number of small entities.

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

Docket number: R-0372.

Staff contacts: Jamie Lenoci, Financial Analyst; and Robert Lord, Attorney, Division of Banking Supervision and Regulation, (202-452-2781).

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

Action taken: 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 State of Maine applied for an exemption from Regulation M for certain lease transactions under the revised Truth in Lending Act. The application

was published for comment in April 1982 (47 FR 16201, April 15, 1982). Following review of public comments, the Board granted the exemption (47 FR 36961, August 24, 1982).

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 bank and retail establishments.

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

Docket number: R-0394.

Staff contact: Rugenia Silver, Attorney, Division of Consumer and Community Affairs, (202-452-2412).

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

Action taken: In May 1982, following review of public comments, the Board adopted proposed amendments to Regulation T to permit, in addition to cash, the use of securities issued or guaranteed by the United States government or its agencies, certain letters of credit, bank CD's and bankers acceptances, as permissible collateral in stock lending and borrowing transactions (47 FR 21238, May 18, 1982). The amendment also permits foreign banks to issue letters of credit in such transactions if they have filed with the Board agreements to comply with the same rules and regulations applicable to member banks in securities credit transactions. These amendments are not expected to have an adverse economic impact on any small institutions.

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

Docket number: R-0370.

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

4. 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). Following review of the public comments, the Board in

August 1982, adopted a modified version of the proposed amendment (47 FR 37368, August 26, 1982).

The amendment imposed 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.

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

Docket number: R-0363.

Staff contacts: Jennifer Johnson, Senior Attorney, (202-452-3584); and Richard Ashton, Assistant General Counsel, Legal Division, (202-452-3289).

5. 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). The Board approved the application by Order. However, effective July 8, 1982, the Board withdrew the rulemaking proposal (47 FR 30872, July 15, 1982). Applications for this activity in the future will continue to be considered on a case-by-case basis.

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

Docket number: R-0375.

Staff contacts: Carl Howard, Senior Attorney, Legal Division, (202-452-3786)

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

Action taken: In September 1982, the Board approved by Order a proposal to authorize BankAmerica Corporation to engage, through a mortgage banking subsidiary, in financing commercial real estate development by the placing of equity interests, subject to certain conditions and commitments.

In taking this action, the Board considered public comments received on the proposal, which was published for comment in December 1981 (46 FR 61297, December 16, 1981). In that notice, the Board stated that it was also considering whether to amend Regulation Y to add the activity to the list of those generally permissible for bank holding companies. In approving BankAmerica's application by Order, the Board determined not to add the activity to the list at this time, and will consider future applications to engage in the activity on a case-by-base basis.

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

Docket Number: R-0376.

Staff contacts: Browen Mason, Senior Counsel (202-452-3564); and Mary Ann Gadziala, Attorney, Legal Division (202-452-3786).

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

Action taken: The Truth in Lending Act and Regulation Z provide that some 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 protection to consumers) and to contain adequate provisions for enforcement. Upon application by a state, the Board is directed to determine whether the conditions are met, and then either grant or deny the application.

The Board in April 1982, published for comment its proposed determinations on exemption applications from the states of Maine and Connecticut (47 FR 16201, April 15, 1982). Following review of the public comments, the Board granted those exemptions (47 FR 36961, August 24, 1982).

Board exemptions from the Truth in Lending Act and Regulation Z result in fewer burdens on creditors in those states (without significant loss of consumer protection) because duplicate requirements in the federal and state laws are 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.*

Docket Number: R-0394.

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

Board of Governors of the Federal Reserve System, September 24, 1982.

Barbara R. Lowrey,

Associate Secretary of the Board.

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