FEDERAL RESERVE BANK
OF NEW YORK

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BOARD OF GOVERNORS' SEMIANNUAL AGENDA OF REGULATIONS
APRIL 1, 1984 — OCTOBER 1, 1984

To All Depository Institutions
in the Second Federal Reserve District:

Printed below is the text of the Board of Governors' Semiannual Regulatory Flexibility Agenda for the period April 1, 1984 through October 1, 1984, which has been reprinted from the *Federal Register* of April 19, 1984. 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 that are under Board consideration; (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 or questions regarding any of the Agenda items may be submitted directly to the Board of Governors or to the Regulations Division of this Bank.

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, 1984. The Board's next Semiannual Agenda will be published in October 1984.

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 (October 1, 1983 through April 1, 1984) 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 (see Entries A.10, B.6 and 7, and C.1).

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 June 1983, the Board published notice of its intention to review Regulation B (48 FR 28285, June 21, 1983). This review is part of the Board's Regulatory Improvement Project. (See Entry B.1).

In its review of Regulation B, the Board will focus on ways to update the regulation to more effectively carry out the provisions of the Equal Credit Opportunity Act, without diminishing the consumer protections contained in the act and implementing regulation. The Board's notice asked commenters for information about any aspect of Regulation B that they believe should be examined. The Board also requested comment on several technical issues identified by the staff concerning the regulations's sample adverse action notice form, consideration of credit history information shared with a spouse, circumstances under which adverse action notices must be sent, reapplications for open-end credit, and treatment of authorized users of open-end credit.

The Board will review the public comments that were received and is also conducting additional study of legal, economic, and other issues in this area. The Board expects to publish for public comment specific proposed revisions to the regulation within the next six months. The extent to which small lenders would be affected will depend largely on the nature of the revisions. However, revisions that result in reduced compliance burdens are expected to apply to all lenders equally, regardless of size.

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

Docket Number: R-0473.

Staff contacts: Lucy Griffin and John Wood, Senior Attorneys, Division of Consumer and Community Affairs, (202-452-2412).

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

Action taken: In August 1982, the Board requested public omment on a proposal to amend Regulations D and Q 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 also invited 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 balances 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); and Paul S. Pilecki, Senior Counsel (202–452–3281), Legal Division.

3. Regulation: E—Electronic Fund Transfers (12 FR Part 205)

Action taken: In January 1984, the Board published for comment two proposed amendments to Regulation E, the Board's regulation implementing the Electronic Fund Transfer Act (49 CFR 2204, January 18, 1984). The first proposed amendment would bring within the definition of an electronic fund transfer, and thus within the coverage of the act and regulations, transfers resulting from point-of-sale transactions that are processed electronically but do not involve an electronic terminal at the point of sale.

Action is needed because of current uncertainty about coverage of these transfers, and inquiries have been received by the Board from financial institutions, state agencies, and others. The proposed action also takes into account the fact that an increasing number of debit cards are being used for point-of-sale transactions; currently there are over six millon cards outstanding. The point-of-sale proposal, if adopted, will provide clarification and guidance to financial institutions in the treatment to be given these transfers, and would provide additional time in these cases for error resolution. The proposal would also provide clear protection for consumers in areas such as liability for unauthorized transfers and resolution of error allegations.

The second proposed amendment would give financial institutions the option to disclose charges for electronic fund transfers—on periodic statements—either on a transaction-by-transaction basis, or as a total sum. The proposal is in response to requests from financial institutions for such flexibility.

These proposals would affect all financial institutions, as that term is defined in the Electronic Fund Transfer Act and Regulation E—that is, any person that, directly or indirectly, holds a consumer asset account, such as a checking account, savings account, or money market fund account, and any person that issues an access device and agrees with a consumer to provide electronic fund transer services.

The Board will review the public comments and consider further action within the next three months. The proposals are not expected to have a significant economic impact on a substantial number of small entities because the compliance requirements of the proposals are unlikely to be very burdensome. Relatively few institutions currently issue debit cards, and the large credit and debit card associations are expected to help streamline compliance for most of the institutions that are affected.

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

Docket Number: R–0502.

Staff Contact: Gerald Hurst, Staff Attorney, Division of Consumer and Community Affairs (202–452–3667).

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

Action taken: In March 1984, the Board proposed for public comment a change in the definition of "margin security" to include those stocks designated by the Securities and Exchange Commission as qualified for trading in the National Market System (49 FR 9741, March 15, 1984). these stocks would become marginable upon the publication of their designations by the Securities and Exchange Commission in the **Federal Register**. The Board would continue to publish its List of OTC Margin Stocks three times annually to reflect the marginability of the other OTC securities.

The Board will review the public comments and is expected to take further action during the next six months. It is not expected that the proposal would have a significant impact on a substantial number of small firms. The proposal should be beneficial since it will expedite the determination of the eligibility of certain securities on which broker-dealers may extend credit.

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

Docket Number: R–0512.

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

****5. Regulation: J—Collection of Check 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 has been deferred pending further study. In its consideration of these proposals, the Board has concluded that none of the proposals is expected to have a significant economic impact on a substantial number of small entities. It is anticipated that the Board will consider this matter during 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–0357.

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

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

Action taken: In February and March 1984, the Board adopted regulations implementing the International Lending Supervision Act of 1983 (Title IX, Pub. L. 98–181)(the Act) with respect to

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maintenance of reserves against certain international assets, disclosure of information on international assets, and accounting rules for fees on certain international loans. In publishing these regulations the Board requested comment on whether and to what extent the Act should apply to U.S. branches, agencies and commercial lending company subsidiaries of foreign banks. By action of February 13, 1984 (49 FR 5587, 5591), the Board left open the comment period on this issue in order to allow for further public comment.

If the Board determines to propose regulations affecting foreign banks under the Act, such regulations would not have a significant economic impact on a substantial number of small businesses since the rules would affect only international banks.

Authority: International Lending Supervision Act of 1983, 12 U.S.C. 3901 *et seq.*

Docket number: R–0498.

Staff contacts: Nancy P. Jacklin, Assistant General Counsel, (202–452–3428); and Kathleen O'Day, Senior Counsel, (202–452–3786), Legal Division.

7. Regulation: Q—Interest on Deposits (12 CFR Part 217)

Action taken: In March 1984 the Board proposed amendments to its rules concerning advertising interest on deposits to incorporate a policy statement concerning advertisements for split rate time deposits and for deposits used as Individual Retirement account (IRA) investments (49 FR 11642, March 27, 1984). Under the proposal, in the case of a split rate account where a schedule of fixed rates to be paid is established in advance and the first rate to be paid is higher than subsequent rates, the Board would regard any advertisement of a rate as misleading unless the advertisement includes each rate to be paid in equal size type together with a conspicuous statement as to how long each rate will be in effect and a conspicuous statement of the average effective annual yield. In addition, advertisements should refer to IRAs as tax deferred and not as "tax exempt" or "tax free." The proposal would not adversely affect small businesses because no additional reporting or recordkeeping requirements are imposed.

Authority: 12 U.S.C. 371b.

Docket Number: R–0514.

Staff contact: Paul S. Pilecki, Senior Counsel, Legal Division, (202–452–3281).

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

Action taken: In March 1984 the Board proposed for public comment an amendment to Regulation Y that would list certain additional nonbanking activities as generally permissible for bank holding companies under section 4(c)(8) of the Bank Holding Company Act and that may be applied for under thr procedures of that section (49 FR 9215, March 12, 1984). The activities proposed to be included in Regulation Y for the first time include:

1. Commodity trading advisory services.
2. Check guaranty services.
3. Consumer financial counseling.
4. Armored car services.
5. Tax planning and tax preparation.
6. Operating a credit agency and credit bureau.

Consumer financial counseling and check guaranty services have been permitted previously by Board order on individual applications.

In addition the Board has proposed to expand the activities of property appraisal and providing advice in connection with future commission merchant activities. These activities have been included previously in the list of permissible activities in Regulation Y, althrough in a more restricted manner.

The Board has also proposed to define and clarify the insurance agency and underwriting activities generally permissible for bank holding companies so as to conform the regulation to Title VI of the Garn-St Germain Depository Institutions Act, which was adopted in October 1982.

Adoption of the proposal would enable bank holding companies to engage in additional activities and 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–0511.

Staff contact: James Scott, Attorney, Legal Division, (202–452–3779).

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

Action taken: In November 1983, the Board published for comment a proposal to eliminate the requirement in Regulation Y that bank holding companies engaging in credit life and credit accident and health insurance underwriting provide rate reductions or increased policy benefits in order to engage in this activity (48 FR 53125, November 25, 1983). The Board took this action as a result of the suggestions of several commenters to the Board's recent revision of Regulation Y, who advocated elimination of the rate reduction requirement from the regulation. These commenters stated that in their view the requirement puts bank holding companies at a competitive disadvantage with respect to other providers of this service, and that they knew of no significant evidence that the performance of this activity has resulted in the adverse effects on the public considered by the Board in its 1972 decision approving this activity.

It is expected that adoption of this proposal would lead to a relaxation of the regulatory burden on bank holding companies which engage in this activity.

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

Docket number: R–0491.

Staff contacts: J. Virgil Mattingly, Associate General Counsel, (202–452–3430); and Michael J. O'Rourke, Attorney, (202–452–4388), Legal Division.

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

Action taken: In January 1984, the Board published for comment a proposed amendment to Regulation Z, which would clarify that all credit cards issued for use in transactions that are generally exempt from Regulation Z are still subject to the Regulation Z provisions that prohibit the unsolicited issuance of credit cards and that limit the cardholder's liability for unauthorized use to a maximum of $50 (49 FR 2210, January 18, 1984). The regulation already makes clear that these two provisions apply to cards issued for obtaining business-purpose credit, a class of credit that is otherwise exempt from Regulation Z.

The proposal is in response to questions from both the public and private sectors about the applicability of these two credit card provisions to cards used for other types of generally exempt transactions. The Board is concerned that, unless the credit card provisions apply to these cards, consumers who use them will not have any federal protections restricting unsolicited issuance of such cards and limiting their liability for the authorized use of cards. Although there is no evidence of a pattern of abuse at this time, this lack of legal protection may have a serious impact in the future in light of the scope of these programs and the indications of their continued growth.

The vast majority of the credit cards that will be affected by this amendment are telephone credit cards; therefore, the entities most affected will be in the telecommunications industry. However, cards issued for use with other types of

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exempt transactions (such as those issued for use with fixed credit lines over $25,000 that are not secured by real estate or a dwelling) would also be subject to the provisions on issuance and liability for unauthorized use. Because there are many small companies in the telecommunications industry, the Board specifically solicited comment on small companies or other potentially affected industries that currently have credit card programs, or that might develop them in the future. The Board also requested comment on other regulatory, operational, or cost factors that might be relevant to the proposal. If the amendment is adopted, the Board will also consider appropriate action to minimize initial compliance costs associated with the amendment.

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

Authority: Truth in Lending Act, 15 U.S.C. 1604 as amended.

Docket number: R–0501.

Staff contact: Ruth R. Amberg, Senior Attorney, Division of Consumer and Community Affairs (202–452–3667).

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.

Since publication of the last semiannual agenda, the revision of Regulation Y ("Bank Holding Companies and Change in Bank Control") was finalized. (See Entry C.3) In addition, a revision of Regulation X ("Borrowers of Securities Credit") was proposed for comment (48 FR 49295, October 25, 1983) and adopted in final form (48 FR 56271, December 22, 1983). It contains simplified language and two substantive changes: (i) exclusion from the regulation of purely domestic borrowings unless the borrower willfully causes a lender to extend credit in violation of the Board's other margin credit regulations (Regulations G, T, and U); and (ii) an increase from $5,000 to $100,000 in the exemption applicable to U.S. persons residing abroad. These changes relaxed regulatory burdens.

During the next twelve months, the staff plans to engage in the review of two major regulations:

(1) A proposed revision of Regulation K ("International Banking Operations") will be issued for comment. The regulation was completely revised in 1979 to reduce burdens and to improve the ability of U.S. banking organizations to compete with foreign banking organizations. The forthcoming review is due by 1984 under the International Banking Act of 1978 (12 U.S.C. 611a) and under the Board's 5-year schedule for regulatory reviews. The focus will be to determine whether further improvements can be made to reduce regulatory burdens.

(2) A proposed revision of Regulation B ("Equal Credit Opportunity") may be issued for comment. In June 1983, the Board issued an advanced notice of proposed rulemaking asking for suggestions for specific issues in the regulation that should be addressed. (See Entry A.1)

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 F—Securities of State Member Banks (12 CFR Part 206)**

Anticipated action: The Board will consider issuing for comment a proposal to amend Regulation F to conform that regulation with a series of recent changes in the securities disclosure regulations of the Securities Exchange Commission. Pursuant to section 12(i) of the Securities Exchange Act of 1934, the Board is required to periodically update its securities disclosure regulations to make them substantially identical to comparable regulations of the Securities Exchange Commission or to publish reasons why they should not be so revised.

Adoption of the proposal is not expected to have a significant economic impact on a substantial number of small member banks, since only a few banks are subject to the Board's regulation and the revisions of the disclosure requirements are not likely to be severe.

Authority: Securities Exchange Act of 1934, 15 U.S.C. 78(i).

Staff contacts: Walter McEwen, Attorney (202–452–3321); and J. Virgil Mattingly, Associate General Counsel (202–452–3430); Legal Division.

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

Anticipated action: The Board may 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). If the Board determines to reconsider the proposal, it will be taken up in connection with the revision of Regulation K in 1984. (See Entry B.1.)

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 (202–452–3428); and Kathleen O'Day, Senior Counsel (200–452–3786), Legal Division.

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

Anticipated action: In 1984, the Board may review a proposal submitted on behalf of a banking institution calling for an amendment to Regulation U that would permit banks to extend credit for options transactions in the same manner that broker-dealers may do so under Regulation T (Credit by Brokers and Dealers). In particular, the petitioner has requested the Board to change, if necessary, what is perceived to be a regulatory disparity between the treatment of banks and broker-dealers with respect to the financing of options transactions.

It is not anticipated that this proposal would affect a significant portion of the overall lending activities of a substantial number of small firms.

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

Docket number: R–0510.

Staff contacts: Laura Homer, Securities Credit Officer; Robert Lord and Douglas J. Blass, Attorneys, Division of Banking Supervision and Regulation (202–452–2781).

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****5. 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 by adding authority for member banks to invest individually or jointly in bank service corporations under an amendment to the Bank Service Corporation Act made by section 709 of the Garn-St Germain Depository Institutions Act of 1982.

Under the new law, banks may invest without any prior regulation approval in corporations offering "back office" clerical service to other depository institutions. In addition, if they obtain the prior approval of the Board, member banks may invest in corporations that offer to any person services that the bank may offer under state or federal law or services that have been found by regulation to be permissible under section 4(c)(8) of the Bank Holding Company Act.

Adoption of regulations to implement the change would enable all banks, large and small, to engage in certain activities that previously were not available to them. It is not expected that adoption of this proposal would have a significant economic impact on a substantial number of small banks.

Authority: Bank Service Corporation Act, 12 U.S.C. 1861.

Staff contact: J. Virgil Mattingly, Associate General Counsel, Legal Division (202–452–3430).

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

Anticipated Action: A provision of Regulation Y permits a state bank subsidiary of a bank holding company to engage through a nonbank subsidiary in any activity that is permissible under state law for the bank subsidiary itself, subject to the same limits as if the bank engages in the activity directly. (A similar rule applies to national bank subsidiaries regarding activities permissible for such banks under federal law.) The Board received comments on this provision in connection with its general request for comments in May 1983 regarding the proposed revision of Regulation Y. Some of the commenters challenged the Board's authority to issue this provision, although it has been part of Regulation Y since 1971. In taking final action on the revision of Regulation Y, the Board deferred consideration of the comments on this provision and allowed the existing rule to remain in effect in the interim (49 FR 794, January 5, 1984).

The Board plans to review this provision of the regulation in the near future. A determination to reverse the rule could have an adverse impact on many small banks that are subsidiaries of holding companies because they might be required to restructure their nonbanking activities or to take other action.

Authority: Bank Holding Company Act, 12 U.S.C. 1843, 1844(b).

Staff contact: J. Virgil Mattingly, Associate General Counsel, Legal Division, (202–442–3430).

†7. Regulation: AA—Unfair or Deceptive Acts or Practices (12 CFR 227)

Anticipated action: The Federal Trade Commission (FTC) Act requires that whenever the FTC enacts a rule covering unfair or deceptive acts or practices, the Federal Resere Board must, within 60 days of the rule's effective date, promulgate a substantially similar rule governing banks. The Board may decline to issue such a rule only if the Board determines that such acts or practices of banks are not unfair or deceptive or that implementation of the rule with respect to banks would seriously conflict with essential monetary and payment systems policies of the Board.

In March 1984, the FTC pulished a trade regulations rule known as the Credit Practices Rule (49 FR 7740, March 1, 1984), which will prohibit certain provisions that sometimes appear in consumer credit contracts to aid in the collection of unpaid debts. It will also impose certain specific disclosure and contractual requirements on creditors. The rule will go into effect on March 1, 1985 and will apply only to non-financial institution creditors.

When the FTC published the proposed Credit Practices Rule in 1975, the Board published a substantially similar proposal (40 FR 19495). The Board received public comments and made them available to the FTC. The final rule promulgated by the FTC covers only half as many practices as the 1975 proposals.

The Board is presently examining its responsibilities under the FTC Act and will be taking appropriate action in the future. To the extent the Board publishes a substantially similar regulation, some banks, including small banks, may have to change their practices and incur costs in redrafting forms and contracts.

Authority: Federal Trade Commission Act, 15 U.S.C. 57a.

Docket number: R–0008,

Staff contacts: Steven Zeisel and Richard Garabedian, Staff Attorneys, Division of Consumer and Community Affairs, (202–452–3667).

C. Regulatory Matters From the October 1, 1983 Through April 1, 1984 Semiannual Agenda on Which Final Action Has Been Taken

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

Action taken: In September 1983, the Board issued for public comment a proposal that would permit Federal Reserve Banks to charge a paying bank for cash items made available to it by a Reserve Bank on a day that is a banking day for the Reserve Bank but not for the paying bank (48 FR 41776, September 19, 1983). The purpose of the proposed amendment was to eliminate the float resulting from the closing of these depository institutions on days that the Reserve Banks are open. The proposal would give these paying banks the option of paying for the float generated by their closings rather than paying for items made available on days they are closed. This would be consistent with the requirement of 12 U.S.C. 248(a) that Federal Reserve float be priced.

After considering the comments, the Board adopted the proposal, but decided that it should not apply to those instances where a paying bank is closed because of a state or local holiday not observed by its Reserve Bank. With regard to float arising from these "nonstandard holiday closings," the Board decided to permit Reserve Banks to defer credit to depositing institutions for checks drawn on institutions closed on nonstandard holidays. The value of float generated by nonstandard holiday closing not eliminated by deferred posting of credits to depositing institutions will be added to the cost base for check collection services (49 FR 4196, February 3, 1984).

The Board considered alternatives to reduce the impact of the amendment on small institutions, and believes that the option to allow institutions the option of paying for the float generated by their closing will minimize the impact of the amendment on small institutions by allowing them to avoid the operational costs that might otherwise be incurred.

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

Docket Number: R–0481.

Staff contacts: Gilbert T. Schwartz, Associate General Counsel, (202–452–3625); and Joseph R. Alexander, Attorney (202–452–2489), Legal Division.

2. Regulation O—Loans to Executive Officers, Directors and Principal Shareholders of Members Banks (12 CFR Part 215)

Action taken: The Garn-St. Germain Depository Institutions Act, Pub. L. 97–320, (Garn Bill) amended 12 U.S.C.

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1972(b)(2)(G) and 1817(K) to delete specific reporting and disclosure requirements with respect to loans to executive officers and principal shareholders of insured banks from the insured bank and any correspondent bank of the insured bank. The Garn Bill granted each regulatory agency the authority to issue rules and regulations to require the reporting and public disclosure of such loans.

Effective December 31, 1983, following review of public comments, the Board amended Regulation O to provide for the public disclosure of information concerning such loan (48 FR 56934, December 27, 1983). Upon receipt of a written request from the public, a member bank shall make available the names of its executives officers and principal shareholders who have extensions of credit outstanding either from the bank itself or any of the bank's correspondents in an amount that equals or exceeds $500,000 or 5 percent of the member bank's capital and unimpaired surplus, or whichever is less. This action relaxed regulatory requirements and is not likey to have any significant economic impact on a substantial number of small banks.

Authority: 12 U.S.C. 1972(b)(2)(G) and 1817(K).

Docket Number: R-0486.

Staff contact: Jennifer Johnson, Senior Counsel, Legal Division, (202-452-3584).

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

Action taken: In December 1983, the Board finalized the revision of Regulation Y conducted under the Board's Regulatory Improvement Project (49 FR 794, January 5, 1984). The revision was proposed for comment in May 1983 (48 FR 23520, May 25, 1983).

The primary purposes of the revision are to: (i) reduce the number of required applications by bank holding companies for Board approval of nonbanking activities, (ii) simplify procedures for filing such applications, and (iii) expedite the processing of all applications. The format of the regulation has been changed substantially in the revision by incorporating all the important statutory provisions as they have been interpreted by the Board (e.g., the definition of bank), in order to make the revised regulation a self-contained, comprehensible document.

Many of those commenting on the revision had argued that one of the proposed changes would have a significant adverse impact on a substantial number of small banking organizations. That proposal related to the rules for determining whether a bank holding company will be permitted to redeem its own stock beyond a minimal amount. The Board responded to these objections by retaining a notice procedure for stock redemptions that is similar to the procedure that has been in effect since 1978.

It was also argued that the proposed revision did not contain an analysis regarding the impact of the definition of "bank" on small entities. In taking final action, the Board upon analysis concluded that the definition would not have a significant economic impact on a substantial number of small entities. To minimize the impact of the regulatory definition, the Board adopted a procedure for a company to obtain an exemption from certain requirements if it relied on the Board's former interpretations of the term.

Many of the commenters asked the Board to add new activities to the list of nonbanking activities generally permissible for bank holding companies. The Board has issued such proposals in a separate regulatory proceeding. (See Entry A.8.)

Finally, the Board received a number of comments challenging its authority to adopt a provision relating to permissible activities for subsidiaries of banks. The Board postponed consideration of these comments but plans to review this provision in the near future. (See Entry B.6.)

Authority: Section 5(b) of the Bank Holding Company Act of 1956, as amended 12 U.S.C. 1844(b); section 8 of the International Banking Act of 1978, 12 U.S.C. 3106; and section 7(j)(13) of the Federal Deposit Insurance Act, as amended by the Change in Bank Control Act of 1978, 12 U.S.C. 1817(j)(13).

Docket number: R-0470.

Staff contacts: David Kulig, Senior Counsel, Regulatory Improvement Project, (202-452-2347); and J. Virgil Mattingly, Associate General Counsel, Legal Division, (202)-452-3430).

4. Miscellaneous Interpretations (12 CFR Part 250)

Action taken: In December 1983, the Board clarified the meaning of participations in bankers' acceptances ("BA") for purposes of the BA limitations of the Bank Export Services Act ("BESA") (48 FR 57107, December 28, 1983). The BESA does not define the term participations. The Board's definition includes the following minimum requirements: (1) the depository institution that creates the BA and conveys the participation ("senior bank") acquires a claim against the institution receiving the participation ("junior bank"); and (2) the junior bank acquires a claim against the account party. These claims are enforceable in the event that the account party fails to perform in accordance with the terms of the BA. The Board believes that its action will provide small institutions that are covered by the BESA limitations with increased flexibility with regard to the usage of eligible BAs. No new recordkeeping or reporting requirements will be imposed as a result of this action.

The effective date of this action is June 10, 1984.

Authority: Section 13 of the Federal Reserve Act, 12 U.S.C. 372.

Docket number: R-0474.

Staff contacts: Gilbert T. Schwartz, Associate General Counsel, (202-452-3625); and Robert G. Ballen, Attorney, (202-452-3265), Legal Division.

Board of Governors of the Federal Reserve System, April 2, 1984.

Barbara R. Lowrey,

Associate Secretary of the Board.

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