

## NOTICE

### BOARD OF GOVERNORS' SEMIANNUAL REGULATORY AGENDA

April 1, 1987 — October 1, 1987

The Board of Governors of the Federal Reserve System has issued its Semiannual Regulatory Agenda for the period April 1, 1987 through October 1, 1987. The Agenda provides information on those regulatory matters that the Board now has under consideration or anticipates considering over the next six months. It is divided into three parts: (1) regulatory matters that the Board may consider for public comment during the next six months; (2) matters that have been proposed and are under consideration; and (3) regulatory matters that the Board has completed or is not expected to consider further.

The Agenda is published in the *Federal Register* twice a year -- in April and in October. Comments regarding any of the Agenda items should be submitted directly to the Board of Governors.

Enclosed -- for those who have previously requested it -- is a copy of the typewritten text of the Agenda, as submitted for publication in the *Federal Register*. We will be pleased to furnish copies to others upon request (Tel. No. 212-720-5215 or 5216).

Circulars Division  
Federal Reserve Bank of New York

March 1987

# **Federal Reserve System**

Semiannual Regulatory Agenda  
April 1, 1987 - October 1, 1987

FEDERAL RESERVE SYSTEM

[12 CFR CHAPTER II]

Notice of Semiannual Regulatory Flexibility Agenda

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Semiannual Agenda.

SUMMARY: The Board is issuing this Agenda under 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, 1987. The next Semiannual Agenda will be published in October 1987.

DATE: Comments about the form or content of the Agenda may be submitted 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.

SUPPLEMENTARY INFORMATION: The Board is publishing its April 1987 Agenda as part of the April 1987 Unified Agenda of Federal Regulations, which is coordinated by the Office of Management and Budget under Executive Order 12291. Participation by the Board in the Unified Agenda is on a voluntary basis.

The Board's Agenda is divided into three sections. The first, Proposed Rule Stage, reports on matters the Board may consider for public comment during the next six months. The second section, Final Rule Stage, reports on matters that have

been proposed and are under Board consideration. A third section, Completed Actions, reports on regulatory matters the Board has completed or is not expected to consider further.

A dot (●) preceding an entry indicates a new matter that was not a part of the Board's previous Agenda, and which the Board has not completed.

(signed) Barbara R. Lowrey

Barbara R. Lowrey  
Associate Secretary of the Board

**Section 1**  
**Proposed Rule Stage**

1.

**TITLE:**

Regulation: E - Electronic Fund Transfers

**LEGAL AUTHORITY:**

15 USC 1693 et seq "Electronic Fund Transfer Act"

**CFR CITATION:**

12 CFR 205

**ABSTRACT:**

During the next six months, the Board will conduct a review of Regulation E, which implements the Electronic Fund Transfer Act, and establishes the basic rights, liabilities, and responsibilities of consumers who use electronic fund transfer services and of financial institutions that offer these services (whether or not these institutions hold the consumer's account). The review will consider whether any provisions of the regulation are in need of updating and whether any substantive changes are necessary because of technological developments. Public comment will be requested on any proposals that may be developed following the review. It is not anticipated that revisions would have significant impact on a substantial number of small banks.

**TIMETABLE:**

	ACTION	DATE	FR CITE
Board will consider revisions to Regulation E during the next six months		10/00/87	

**EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: No**

**AGENCY CONTACT:**

Dolores S. Smith  
Assistant Director  
Division of Consumer and Community Affairs  
202 452-2412

2.

**TITLE:**

Regulation: H - Membership of State Banking Institutions in the Federal Reserve System

**LEGAL AUTHORITY:**

12 USC 321

**CFR CITATION:**

12 CFR 208.8(e)

**ABSTRACT:**

The Board will consider issuing for comment an amendment to Regulation H designed to provide a decrease of approximately 20,000 burden hours in paperwork, as requested by the Office of Management and Budget. The regulation would be amended to raise the exemption from various record-keeping requirements in Regulation H for securities transactions, conducted by banks, from 200 to 1,000 transactions per year for customers over the prior three-calendar-year period, exclusive of transactions in U.S. government and federal agency obligations. This action would diminish burdens on smaller state member banks; therefore, the amendment would have no adverse effect on small banks. This issue will be presented to the Board upon promulgation by the Department of the Treasury of final regulations concerning government securities transactions.

**TIMETABLE:**

	ACTION	DATE	FR CITE
Board will consider amending			
	Regulation H	10/00/87	
within the next six months			

**EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES:** No

**AGENCY CONTACT:**

Robert S. Plotkin  
Assistant Director  
Div. of Banking Supervision and Regulation  
202 452-2782

**RIN:** 7100-AA68

3.

**TITLE:**

Regulation: K - International Banking Operations

**LEGAL AUTHORITY:**

12 USC 601 et seq

**CFR CITATION:**

12 CFR 211

**ABSTRACT:**

The Board will consider an amendment to its regulation governing the establishment of foreign operating subsidiaries by member banks. The amendment would eliminate the requirement in section 211.3(b)(9) of Regulation K that a member bank's operating subsidiary be established only where required by local law or regulation. The revision is intended to promote the efficiency of member banks' foreign operations. Because the revision would remove a restriction, it is not anticipated that comment will be requested.

The proposal would not have a significant economic impact on a substantial number of small businesses because it affects only U.S. banks operating abroad.

**TIMETABLE:**

ACTION DATE  
Final action by 4/00/87

FR CITE

**EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES:** No

**AGENCY CONTACT:**

Kathleen O'Day  
Senior Counsel  
Legal Division  
202 452-3786

**RIN:** 7100-AA67



4.

**TITLE:**

Regulation: P - Minimum Security Devices and Procedures for  
Federal Reserve Banks and State Member Banks

**LEGAL AUTHORITY:**

12 USC 1881 to 1884

**CFR CITATION:**

12 CFR 216

**ABSTRACT:**

During the next six months, the Board will conduct a zero-based review of Regulation P, which implements the Bank Protection Act of 1968, and establishes minimum security standards for Federal Reserve banks and for state member banks. The review will consider whether any provisions of the regulation are outdated and whether any substantive changes are necessary because of new technological developments. The regulation will also be reorganized and revised for simplicity and clarity. Public comment will be requested following the zero-based review. It is not anticipated that the revised regulation will have a significant impact on a substantial number of small banks.

**TIMETABLE:**

	ACTION	DATE	FR CITE
Board will consider revisions to Regulation P during the next six months		10/00/87	

**EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: No**

**AGENCY CONTACT:**

Barbara Lowrey  
Associate Secretary  
Office of the Secretary  
202 452-3742

**RIN: 7100-AA69**

5.

**TITLE:**

Regulation: T - Credit by Brokers and Dealers

**LEGAL AUTHORITY:**

15 USC 78g "Securities Exchange Act of 1934, as amended"

15 USC 78w "Securities Exchange Act of 1934, as amended"

**CFR CITATION:**

12 CFR 220

**ABSTRACT:**

In 1987 the Board may propose an amendment to the definition of "OTC margin bond" in Regulation T. The purpose will be to permit marginability of all securities designated as "mortgage-related securities" in the Secondary Mortgage Market Enhancement Act of 1984.

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

**TIMETABLE:**

	ACTION	DATE	FR CITE
Board may review a proposal to			
amend Regulation T		10/00/87	

**EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES:** No

**AGENCY CONTACT:**

Laura Homer  
Securities Credit Officer  
Div. of Banking Supervision and Regulation  
202 452-2781

**RIN:** 7100-AA70

6.

**TITLE:**

Regulation: T - Credit by Brokers and Dealers

**LEGAL AUTHORITY:**

15 USC 78g "Securities Exchange Act of 1934, as amended"

15 USC 78w "Securities Exchange Act of 1934, as amended"

**CFR CITATION:**

12 CFR 220

**ABSTRACT:**

During 1987 the Board may review a proposal submitted by several broker/dealers calling for an amendment to Regulation T to permit broker/dealers to facilitate the exercise of valuable employee stock options by employees. The method suggested would allow the broker/dealer to advance funds on a good faith basis for the exercise.

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

**TIMETABLE:**

ACTION	DATE	FR CITE
Board may review proposal to amend to amend Regulation T	10/00/87	

**EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: No**

**AGENCY CONTACT:**

Scott Holz

Attorney

Div. of Banking Supervision and Regulation

202 452-2781

**RIN: 7100-AA71**

7.

**TITLE:**

Regulation: T - Credit by Brokers and Dealers

**LEGAL AUTHORITY:**

15 USC 78g "Securities Exchange Act of 1934, as amended"

15 USC 78w "Securities Exchange Act of 1934, as amended"

**CFR CITATION:**

12 CFR 220

**ABSTRACT:**

During the next six months the Board may consider proposing amendments to Regulation T to accommodate settlement and clearance of foreign securities in accounts covered by Regulation T. A request has been made that amendments be proposed because of the growing internationalization of the securities markets. It is not anticipated that any proposals in this area would affect a significant portion of the overall lending activities of a substantial number of small firms.

**TIMETABLE:**

	ACTION	DATE	FR CITE
	Board may review a proposal to amend Regulation T	10/00/87	

**EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: No**

**AGENCY CONTACT:**

Laura Homer  
Securities Credit Officer  
Div. of Banking Supervision and Regulation  
202 452-2781

**RIN: 7100-AA72**

8.

**TITLE:**

Regulation: Y - Bank Holding Companies and Change in Bank Control

**LEGAL AUTHORITY:**

12 USC 1843 "Bank Holding Company Act"  
12 USC 1844(b) "Bank Holding Company Act"

**CFR CITATION:**

12 CFR 225

**ABSTRACT:**

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.

**TIMETABLE:**

	ACTION	DATE	FR CITE
	Board requested comments	05/25/83	48 FR 23520
	Board allows existing rule to remain in effect	01/05/84	49 FR 794
	Board will review further by	04/00/87	

**EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES:** Yes

**AGENCY CONTACT:**

J. Virgil Mattingly  
Deputy General Counsel  
Legal Division  
202 452-3430

**RIN:** 7100-AA41

9.

**TITLE:**

Rules Regarding Availability of Information

**LEGAL AUTHORITY:**

5 USC 552

**CFR CITATION:**

12 CFR 261

**ABSTRACT:**

The Board's Rules Regarding Availability of Information are intended in part to fulfill the requirement of section 552 of Title 5 of the United States Code that every Federal agency shall publish in the Federal Register how the public may obtain information, make submittals or requests, and obtain decisions; how the agency's functions are channeled and determined; its rules of procedure and descriptions of forms available and the places where they may be obtained.

The Board will consider issuing for comment revisions that simplify and improve these rules. The revision reorganizes the rules into appropriate subparts, and clarifies the procedures for requesting access to documents and information, the processing and disposition of such requests, and the procedures regarding the discretionary release of confidential information. The proposal also sets forth a revised fee schedule as required by the Freedom of Information Reform Act of 1986.

It is not expected that the proposal, if adopted, will have a significant economic impact on a substantial number of small entities that would be subject to the regulation.

**TIMETABLE:**

	<b>ACTION</b>	<b>DATE</b>	<b>FR CITE</b>
Board will consider issuing for comment revisions to the			
	rules by	04/00/87	

**EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES:** No

**AGENCY CONTACT:**

Stephen L. Siciliano  
Special Assistant to the General Counsel  
Legal Division  
202 452-3920

**RIN:** 7100-AA73

Section 2  
Final Rule Stage

10.

**TITLE:**

Regulation: D - Reserve Requirements of Depository Institutions  
(Docket Number: R-0571)

**LEGAL AUTHORITY:**

12 USC 248(k)  
12 USC 461(a)

**CFR CITATION:**

12 CFR 204

**ABSTRACT:**

In May 1986, the Board issued for comment rules to clarify the definition of "deposit" in Regulation D to include the interest or liability associated with a borrowing in the form of certain sales of assets and related transactions by a depository institution (51 FR 16855, May 7, 1986). These transactions include a sale of assets that involves a full guarantee by the institution that, in effect, substitutes the institution's credit standing for that of the ultimate borrower and in which the institution retains the risk of borrower default after the asset is sold.

Further, the regulation currently treats obligations of an affiliate as deposits of the depository institution to the extent the proceeds are provided to the depository institution. The Board proposes to exclude proceeds received from a sale of assets without recourse to the affiliate.

The proposal also would clarify the application of Regulation D to certain of these transactions involving organizations effectively controlled by the depository institution even though not formally affiliated. Finally, the proposal would clarify how the Board measures the "maturity" of an obligation for the purposes of Regulation D.

The proposal requests comment on any alternatives that the public believes may be preferable to the Board's proposed amendments. Suggested alternatives will be considered when comments are analyzed.

The proposed rule would apply to all depository institutions. It is not anticipated that the proposal will have a negative impact on the ability of small depository institutions to attract deposits.

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



**TITLE:**

Regulation: D - Reserve Requirements of Depository Institutions  
(Docket Number: R-0571)

**TIMETABLE:**

	ACTION	DATE	FR CITE
Board proposed revisions to			
	Regulation D	05/07/86	51 FR 16855
	Comment period extended	07/10/86	51 FR 25069
	Further Board action by	10/00/87	

**EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: No**

**AGENCY CONTACT:**

John Harry Jorgenson  
Senior Attorney  
Legal Division  
202 452-3778

**RIN: 7100-AA62**

11.

**TITLE:**

Regulation: E - Electronic Fund Transfers (Docket Number:  
R-0578)

**LEGAL AUTHORITY:**

15 USC 1693 et seq "Electronic Fund Transfer Act"

**CFR CITATION:**

12 CFR 205

**ABSTRACT:**

In August 1986, the Board proposed for comment amendments to Regulation E to address the responsibilities of persons that issue access devices and provide electronic fund transfer services to consumers absent an agreement with the financial institutions holding the consumers' account (51 FR 28589, August 8, 1986). The amendments would clarify the responsibilities of these service-providers and the institutions holding the consumers' accounts for electronic fund transfers initiated through the service-providers. The amendments would (1) eliminate the requirement that service-providers furnish periodic statements to consumers; (2) require service-providers to provide the transaction identification to account-holding institutions; and (3) require account-holding institutions to identify electronic fund transfers initiated through the service-provider on periodic statements, in accordance with Regulation E. The amendments would also make changes in the initial disclosures required of the service-provider and extend the time allowed for giving notice to the service-provider of the loss or theft of an access device.

Although the proposed amendments are primarily intended to eliminate duplication of certain documentation currently provided to consumers, some small financial institutions may incur additional costs in providing customers with periodic statements that comply with Regulation E for the first time. The Board solicited comment on the extent of this expense. The Board will review the comments and is expected to take further action during the next five months.

**TIMETABLE:**

ACTION	DATE	FR CITE
Board issued for comment a proposal to amend Regulation E	08/08/86	51 FR 28589
Further Board action by	07/00/87	

**TITLE:**

Regulation: E - Electronic Fund Transfers

**EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES:** Yes

**AGENCY CONTACT:**

Gerald P. Hurst

Senior Attorney

Division of Consumer and Community Affairs

202 452-3667

**RIN:** 7100-AA60

12.

**TITLE:**

Regulation: K - International Banking Operations (Docket Number: R-0550)

**LEGAL AUTHORITY:**

12 USC 611 et seq

**CFR CITATION:**

12 CFR 211

**ABSTRACT:**

In August 1985, the Board published for comment proposed regulations that would restrict lending by an Edge Corporation to its affiliates where the Edge Corporation is not subject to the restrictions of section 23A of the Federal Reserve Act (12 USC 371c) because it is not owned by a U.S. insured bank (50 FR 35238, August 30, 1985). In taking this action, the Board noted the increasing number of owners of Edge corporations that are not subject to federal banking supervision and the potential adverse effects that might result from such affiliations, such as the impairment of the Edge's ability to act as an impartial arbiter of credit. The Board requested comment on the effect of the proposal on existing Edge Corporations, especially those owned by foreign banks and whether any exemptions from the restrictions are appropriate.

It is not expected that the proposal would have a significant economic impact on a substantial number of small businesses, because it applies only to organizations involved in international banking.

The Board will review the comments and take further action within the next two months.

**TIMETABLE:**

	ACTION	DATE	FR CITE
Board proposed revisions to			
Regulation K		08/30/85	50 FR 35238
Further Board action by		4/00/87	

**EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: No**

**AGENCY CONTACT:**

Kathleen O'Day  
Senior Counsel  
Legal Division  
202 452-3786

RIN: 7100-AA58

13.

**TITLE:**

Regulation: Q - Interest on Deposits (Docket Number R-0514)

**LEGAL AUTHORITY:**

12 USC 371b

**CFR CITATION:**

12 CFR 217

**ABSTRACT:**

In January 1986, the Board issued for comment proposals to clarify, update, and simplify the advertising provisions of Regulation Q (51 FR 1379, January 13, 1986). The revisions incorporate and supersede the proposals of March 1984 concerning advertising of split-rate deposits and IRA/Keogh (HR 10) Plan accounts. The proposal is not expected to have a significant adverse effect on small banks.

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

It is also anticipated that the Board will consider at that time various options with regard to providing written disclosures to consumers about their accounts.

**TIMETABLE:**

	ACTION	DATE	FR CITE
	Board proposed revisions	01/13/86	51 FR 1379
	Further Board action by	06/00/87	

**EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES:** No

**AGENCY CONTACT:**

Daniel L. Rhoads  
Senior Attorney  
Legal Division  
202 452-3711

**RIN:** 7100-AA56

14.

**TITLE:**

Regulation: Y - Bank Holding Companies and Change in Bank Control  
(Docket Number: R-0536)

**LEGAL AUTHORITY:**

12 USC 1841 et seq "Bank Holding Company Act"

**CFR CITATION:**

12 CFR 225

**ABSTRACT:**

In January 1985, the Board requested comment as to whether it should permit bank holding companies that own nonbank banks to provide them with internal administrative services and to establish management interlocks with them (50 FR 2057, January 15, 1985). ("Nonbank banks" are institutions that are chartered as banks but either do not accept demand deposits or do not make commercial loans.) The Board took this action to resolve a number of questions that had been raised regarding the appropriate scope of relationships between nonbank banks and their affiliates. It is likely that any action the Board might take would primarily affect larger bank holding systems and would relax a requirement or prohibition. Therefore, it is expected that any Board action would not have a significant economic impact on a substantial number of small entities.

The Board suspended further consideration of nonbank bank applications by bank holding companies, pending a definitive resolution, through pending litigation, of the status of nonbank banks.

**TIMETABLE:**

	ACTION	DATE	FR CITE
	Board requested comment	01/15/85	50 FR 2057
	Awaiting Court Action	00/00/00	

**EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: No**

**AGENCY CONTACT:**

J. Virgil Mattingly  
Deputy General Counsel  
Legal Division  
202 452-3430

RIN: 7100-AA51

15.

**TITLE:**

Regulation: Y - Bank Holding Companies and Change in Bank Control  
(Docket Number: R-0537)

**LEGAL AUTHORITY:**

12 USC 1841 "Bank Holding Company Act"  
12 USC 221 "Federal Reserve Act"  
12 USC 3901 "International Lending Supervision Act of 1983"

**CFR CITATION:**

12 CFR 225

**ABSTRACT:**

In December 1986, the Board requested public comment on a proposal to permit bank holding companies to engage in real estate investment activities within certain limits (52 FR 543, January 7, 1987). The proposed limits are designed to ensure that conduct of the activity does not result in unsafe or unsound practices, unfair competition, conflicts of interest or other adverse effects.

The Board requested public comment on a number of specific items, including whether real estate investment activities may be deemed to be closely related to banking and a proper incident thereto for purposes of section 4(c)(8) of the Bank Holding Company Act; whether the proposed limits on the size, scope and manner in which the activity would be conducted are appropriate; whether nonbank companies owned by holding company banks should be permitted or prohibited from conducting these activities; and whether the Board should establish special capital requirements for bank holding companies that control banks directly engaged in these activities.

The proposal, if adopted, would permit bank holding companies to engage in limited real estate investment activities that bank holding companies are not now permitted to conduct and would not impose more burdensome requirements on bank holding companies than are currently applicable. Moreover, the proposal includes provisions designed to permit small bank holding companies to participate meaningfully in the proposed activities. The proposal does not impose any limitations on the direct real estate investment activities of holding company banks.

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

**TITLE:**

Regulation: Y - Bank Holding Companies and Change in Bank Control  
(Docket Number: R-0537)

**TIMETABLE:**

	ACTION	DATE	FR CITE
	ANPRM	01/31/85	50 FR 4519
Board issues proposal for comment		01/07/87	52 FR 543
Further Board action during the next six months		10/00/87	

**EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: No**

**AGENCY CONTACT:**

J. Virgil Mattingly  
Deputy General Counsel  
Legal Division  
202 452-3430

**RIN: 7100-AA52**



16.

**TITLE:**

Regulation: Y - Bank Holding Companies and Change in Bank Control  
(Docket Number: R-0572)

**LEGAL AUTHORITY:**

12 USC 1841 "Bank Holding Company Act"

**CFR CITATION:**

12 CFR 225

**ABSTRACT:**

In May 1986, the Board requested comment on whether it should modify, eliminate, or retain the current restrictions it imposes on the operation by a bank holding company of a thrift institution in tandem with the holding company's other subsidiaries (51 FR 18797, May 22, 1986). These conditions were initially imposed after public comment and are designed to maintain the distinction and separation between thrifts and banks. The Board has received requests for relief from these conditions to permit thrifts acquired by bank holding companies to jointly market and sell products and services with other holding company affiliates, cross-advertise the services and products of affiliates, and conduct certain transactions with affiliates.

Few small banks and holding companies are subject to the conditions on tandem operations, and action in this area will not directly affect the operation of a significant number of small entities. However, the Board has requested comment on whether relief from the conditions will affect competition between thrifts owned by bank holding companies and banks and bank holding companies, including small entities, located in the same market.

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

**TIMETABLE:**

	ACTION	DATE	FR CITE
	Board requested comment	05/22/86	51 FR 18797
	Further Board action by	04/00/87	

**EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES:** Undetermined

**AGENCY CONTACT:**

J. Virgil Mattingly  
Deputy General Counsel  
Legal Division  
202 452-3430

RIN: 7100-AA74

17.

**TITLE:**

Regulation: Y - Bank Holding Companies and Change in Bank Control (Docket Number: R-0567)

**LEGAL AUTHORITY:**

12 USC 3907

12 USC 3909 "International Lending Supervision Act of 1983"

**CFR CITATION:**

12 CFR 225, Appendix A

**ABSTRACT:**

In January 1986, the Board proposed for comment an amendment to its Capital Guidelines that would provide for a supplemental adjusted capital measure designed to be more systematically and explicitly sensitive to the risk exposure of individual banking organizations. This measure would be based on a ratio of primary capital to total assets adjusted to account for certain types of risks, including many kinds of off-balance-sheet risk.

On January 8, 1987, the Board voted to seek public comment on a revised risk-based capital proposal (52 FR 5119, February 19, 1987). This revised proposal represents an effort to coordinate the risk-based capital proposals of the three federal banking agencies with similar capital proposals of the Bank of England, and the proposal is based on a proposed United States/United Kingdom Capital Agreement. The revised proposal contemplates certain adjustments to the definition of capital as well as the placement of assets in certain broad risk categories. Although the revised proposal contemplates a minimum risk-based ratio for state member banks and bank holding companies, the Board has not proposed a specific minimum ratio at this time. It is not contemplated that the ratio, where proposed, will require small bank holding companies that operate above the current minimum capital ratio to raise additional capital. Consequently the proposal is not likely to have a significant impact on smaller banking organizations.

The Board will review the comments on its revised proposal and coordinate with other federal banking agencies and the Bank of England. Further action is expected after June 1, 1987.

**TITLE:**

Regulation: Y - Bank Holding Companies and Change in Bank Control (Docket Number: R-0567)

**TIMETABLE:**

	ACTION	DATE	FR CITE
	Board requested comment	01/31/86	51 FR 3976
	Comment period extended	04/11/86	51 FR 12865
	Board requests comment on revised proposal	02/19/87	52 FR 5119
	Further Board action by	06/00/87	

**EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES:** No

**AGENCY CONTACT:**

James E. Scott  
Senior Counsel  
Legal Division  
202 452-3513

**RIN:** 7100-AA66

● 18.

**TITLE:**

Regulation: Y - Bank Holding Companies and Change in Bank Control  
(Docket Number: R-0595)

**LEGAL AUTHORITY:**

12 USC 1817(j)(13) "Bank Holding Company Act"

**CFR CITATION:**

12 CFR 225.43

**ABSTRACT:**

In January 1987, the Board proposed amending Regulation Y to implement certain amendments to the Change in Bank Control Act ("CBCA") made by the Anti-Drug Abuse Act of 1986. Under this proposal, notificants under the CBCA would be required to publish an announcement of a proposed acquisition of shares of a bank or bank holding company in a newspaper of general circulation in communities where the bank or bank holding company to be acquired is located (52 FR 3447, February 4, 1987). The proposed regulation provides an exception to the publication requirement where disclosure would threaten the safety or soundness of the bank to be acquired.

As required by the Anti-Drug Abuse Act, the proposed regulation states that the Board shall conduct a background investigation of each notificant under the CBCA and shall make an independent determination of the accuracy and completeness of the information submitted. The Board may also extend processing of the notice under certain circumstances. The proposal is not expected to have a significant economic impact on a substantial number of small entities, and would have the benefit of permitting such entities, as well as other members of the public, an opportunity to comment on proposed changes in the control of banks and bank holding companies.

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

**TIMETABLE:**

ACTION	DATE	FR CITE
Board requested comment	02/04/87	52 FR 3447
Further Board action by	10/00/87	

**EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES:** No

**AGENCY CONTACT:**

Scott G. Alvarez  
Senior Counsel  
Legal Division  
202 452-3583

19.

**TITLE:**

Regulation: Z - Truth in Lending (Docket Number R-0545)

**LEGAL AUTHORITY:**

15 USC 1604, as amended "Truth in Lending Act"

**CFR CITATION:**

12 CFR 226

**ABSTRACT:**

Regulation Z currently requires that creditors provide information to consumers regarding variable rate features in credit transactions. Concern has been expressed in Congress and elsewhere about whether Truth in Lending disclosures adequately convey to consumers the terms and potential costs of adjustable rate mortgages (ARMS).

In November 1986, the Board proposed that creditors make more extensive disclosure of the variable rate feature in transactions secured by the consumer's home (51 FR 42241, November 24, 1986). The proposal would amend the regulation to require that creditors provide consumers general descriptive material about adjustable rate mortgages as well as provide a more detailed description of their variable rate feature along with an example showing the effect of historical changes in a creditor's index over a 15 year period on the payments and balance on a \$10,000 loan. The maximum interest rate and payment under the creditor's program for a \$10,000 loan would also be stated. Finally, the proposal would require annual notices of interest rate adjustments and prior notice of payment adjustments.

The Board is concerned about creditor burdens of compliance with the overlapping and duplicative disclosures in this area.

This proposal was recommended to the Board and to the Federal Home Loan Bank Board (FHLBB) and the Comptroller of the Currency (OCC) in response to the concern for uniform federal ARMS disclosure regulations. The Board believes that adoption of the proposal by the Board (and by the FHLBB and OCC) will eliminate the present problem with inconsistent federal ARMS disclosure regulations.

If the Board adopts this proposal, mortgage creditors, including small businesses engaged in mortgage lending, could incur some costs in revising and reprinting forms, and changing certain procedures to comply with the requirement. Before any final action, the Board would consider appropriate actions to minimize the burdens and costs of compliance. Further Board action is expected within the next two months.

**TITLE:**

Regulation: Z - Truth in Lending (Docket Number R-0545)

**TIMETABLE:**

	ACTION	DATE	FR CITE
	Board proposal amendment	05/15/85	50 FR 20221
	Revised proposal issued for comment	11/24/86	51 FR 42241
	Further Board action by	04/00/87	

**EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES:** Yes

**AGENCY CONTACT:**

Michael Bylsma  
Senior Attorney  
Division of Consumer and Community Affairs  
202 452-3667

**RIN:** 7100-AA50

20.

**TITLE:**

Further Proposals to Reduce Risks on Large-Dollar Wire Transfer Systems (Docket Numbers: R-0587 through R-0592)

**LEGAL AUTHORITY:**

12 USC 221 et seq

**CFR CITATION:**

00 CFR None

**ABSTRACT:**

In December 1986, the Board requested comment on several proposals that would refine its policy statement on payment system risk (51 FR 45042, December 16, 1986). The proposals include a policy to reduce the risks associated with daylight overdrafts resulting from clearing trades in book-entry securities (R-0587), a proposal to reduce the levels of the sender net debit cap (R-0588), a proposal to reduce the burden on smaller institutions by adopting a "de minimis" caps category (R-0589), proposals regarding consolidation of affiliated institutions for purposes of monitoring compliance with the Board's program (R-0590), modifying automated clearing house transactions to reduce risks (R-0591), and various proposals to charge a fee for daylight overdrafts as a way of reducing risks associated with them.

The Board will review the public comments and take further action within the next three months.

It is not expected that these proposals, if adopted, would have a significant economic impact on a substantial number of small entities, because small entities do not usually participate in large-dollar wire transfer systems. While small entities do participate in automated clearing houses, the Board's proposal in this area is primarily procedural, and not likely to have a significant economic impact on ACH participants.

**TIMETABLE:**

	ACTION	DATE	FR CITE
	Board requested comment	12/16/86	51 FR 45042
	Further Board action by	05/00/87	

**EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES:** No

**AGENCY CONTACT:**

Edward C. Ettin  
Deputy Director  
Division of Research and Statistics  
202 452-3368

**Section 3**  
**Completed Actions**



21.

**TITLE:**

Regulation: Z - Truth in Lending (Docket Number R-0577)

**LEGAL AUTHORITY:**

15 USC 1604, as amended "Truth in Lending Act"

**CFR CITATION:**

12 CFR 226

**ABSTRACT:**

In August 1986, the Board proposed for comment an amendment to Regulation Z to exempt from the rescission provisions of the regulation refinancings by creditors other than the original creditor where consumers are not increasing their exposure to risk in using their homes to secure a debt (51 FR 28245, August 6, 1986). The Board also proposed to redefine what constitutes a new advance of money obtained by a consumer for purposes of the existing exemption for refinancings. Regulation Z requires that consumers be given the right to rescind certain credit transactions where an extension of credit is secured by a consumer's principal dwelling. An exemption applies to refinancings by the original creditor if no new advances of money are obtained by the consumer.

Following review of public comments, the Board adopted a final rule in December 1986 (51 FR 45296, December 18, 1986). The Board withdrew its proposal to amend Regulation Z to exclude certain transactions by a creditor other than the original creditor from the right of rescission. The Board adopted the proposal redefining what constitutes a new advance of money for purposes of the existing exemption for refinancings.

It is expected that this amendment will reduce the number of transactions for which creditors will need to provide consumers with a notice of their rescission rights and an opportunity to rescind. Therefore, it is likely that creditors, including small entities, will not incur any additional costs as a result of the change.

**TIMETABLE:**

	ACTION	DATE	FR CITE
	Board requested comment	08/06/86	51 FR 28245
	Board adopted amendment	12/18/86	51 FR 45296

**EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: No**

**AGENCY CONTACT:**

Leonard Chanin  
Staff Attorney  
Division of Consumer and Community Affairs  
202 452-3667

RIN: 7100-AA75

22.

**TITLE:**

Further Proposals to Reduce Risks on Large-Dollar Wire Transfer Systems (Docket Number: R-0515A, R-0515B, R-0515C)

**LEGAL AUTHORITY:**

12 USC 221 et seq

**ABSTRACT:**

In the October Agenda the Board indicated it was reviewing certain aspects of its May 1985 policy statement on reducing risks on large-dollar wire transfer systems and requested comment on the following: (1) transfers for book-entry securities, (2) risks associated with Automated Clearing House payments, and (3) risks associated with net settlement services offered by the Federal Reserve. The Board considered its policy further on December 3, 1986 and issued for comment a series of proposals under new Docket Numbers. (See entry regarding Docket Numbers R-0587 through R-0592 in the second section of this agenda, Final Rule Stage).

**TIMETABLE:**

	ACTION	DATE	FR CITE
	Board requested comment	05/22/85	50 FR 21130
	Revised proposal issued for comment under new Docket Numbers	12/16/86	51 FR 45043

**EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: No**

**AGENCY CONTACT:**

Edward C. Ettin  
Deputy Director  
Division of Research and Statistics  
202 452-3368

RIN: 7100-AA59