

Federal Reserve System

At-Enj. No. 10230

Semiannual Regulatory Agenda
April 1, 1988 - October 1, 1988

BOARD OF GOVERNORS' SEMIANNUAL REGULATORY AGENDA

The Semiannual Regulatory 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.

Circulars Division
FEDERAL RESERVE BANK OF NEW YORK

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, 1988. The next Semiannual Agenda will be published in October 1988.

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.

FOR FURTHER INFORMATION CONTACT: A staff contact for each item is indicated with the regulatory description below.

SUPPLEMENTARY INFORMATION: The Board is publishing its April 1988 Agenda as part of the April 1988 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: C - Home Mortgage Disclosure

LEGAL AUTHORITY:

12 USC 2804, "Home Mortgage Disclosure Act of 1975"

CFR CITATION:

12 CFR 203

ABSTRACT:

During the next month the Board will consider proposing amendments to Regulation C to implement Title V, section 565 of the Housing and Community Development Act of 1987. Section 565 amends the Home Mortgage Disclosure Act to bring within its coverage mortgage banking subsidiaries of bank holding companies and savings and loan holding companies, as well as savings and loan service corporations. The proposed regulatory amendments would implement this expansion in coverage and clarify and simplify the regulation where necessary. It is not anticipated that the proposal will have a significant economic impact on a substantial number of small institutions.

TIMETABLE:

| | ACTION | DATE | FR CITE |
|--|--------|----------|---------|
| Board will consider proposed revisions to Regulation C | | 04/00/88 | |

EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: No

AGENCY CONTACT:

John Wood
Senior Attorney
Division of Consumer and Community Affairs
202 452-2412

2.

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. The Board will also consider whether to make any legislative recommendations for statutory changes.

Public comment will be requested on any regulatory 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 | 10/00/88 | |

EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: No

AGENCY CONTACT:

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

RIN: 7100-AA77

3.

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 | 10/00/88 | |
| 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

4.

TITLE:

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

LEGAL AUTHORITY:

12 USC 248
12 USC 321 TO 338
12 USC 486
12 USC 1814
12 USC 3907
12 USC 3909

CFR CITATION:

12 CFR 208.17

ABSTRACT:

The Board will consider issuing for comment an amendment to Regulation H designed to facilitate the fullest possible dissemination of publicly available information regarding the condition of state member banks. The amendment would require such banks to make available upon request their year-end reports of condition or other suitable documents describing their condition. The proposal is not likely to have a significant economic impact on a substantial number of small banks since it would impose no new reporting requirements, but simply require banks to make existing documents available to members of the public.

TIMETABLE:

| | ACTION | DATE | FR CITE |
|--|--------|----------|---------|
| Board will consider amending Regulation H within the next two months | | 04/00/88 | |

EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: No

AGENCY CONTACT:

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

5.

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 | 10/00/88 |

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

6.

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 | 07/00/88 | |

EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: No

AGENCY CONTACT:

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

RIN: 7100-AA69

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 four 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 | 08/00/88 | |

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: T - Credit by Brokers and Dealers

LEGAL AUTHORITY:

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

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

CFR CITATION:

12 CFR 220

ABSTRACT:

During 1988 the Board may review a proposal made by a broker-dealer to amend the definition of "OTC margin bond" in Regulation T. The purpose would be to permit marginability of foreign sovereign debt securities.

It is not anticipated that this proposal will 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 | | | |
| | Regulation T | 04/00/88 | |

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-AA80

9.

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 in connection with the Board's rulemaking regarding real estate investment activities (see Docket Number R-0537 and R-0616). 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 | 10/00/88 | |

EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: Yes

AGENCY CONTACT:

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

RIN: 7100-AA41

10.

TITLE:

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

LEGAL AUTHORITY:

12 USC 1843

CFR CITATION:

12 CFR 225

ABSTRACT:

In the near future, the Board will consider proposing for comment amendments to Regulation Y to implement the limitations on grandfathered nonbank banks and industrial banks set forth in the Competitive Equality Banking Act of 1987 (CEBA). The limitations in CEBA on nonbank banks include restrictions on new activities, joint-marketing with affiliates, annual growth, and overdrafts. Only the overdraft restriction applies to industrial banks.

The overdraft restriction requires nonbank banks and industrial banks to keep records of their affiliates' transactions in order to measure overdrafts. Because the overdraft restriction is required by CEBA, small entities cannot be exempted from this recordkeeping requirement.

TIMETABLE:

| | ACTION | DATE | FR CITE |
|----------------------------------|--------------|----------|---------|
| Board will consider revisions to | | | |
| | Regulation Y | 04/00/88 | |

EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: Yes

AGENCY CONTACT:

Elaine Boutilier
Senior Attorney
Legal Division
202 452-2418

Section 2
Final Rule Stage

11.

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 two 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 | | 04/00/88 | |

EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: No

AGENCY CONTACT:

John Harry Jorgenson
Senior Attorney
Legal Division
202 452-3778

RIN: 7100-AA62

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 six months.

TIMETABLE:

| ACTION | DATE | FR CITE |
|--|----------|-------------|
| Board proposed revisions to Regulation K | 08/30/85 | 50 FR 35238 |
| Further Board action by | 10/00/88 | |

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 | 06/00/88 | |

EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: No

AGENCY CONTACT:

Patrick J. McDivitt
Attorney
Legal Division
202 452-3818

RIN: 7100-AA56

14.

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. (See Docket Number R-0616, for additional information on proposed real estate investment limitations.)

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 | | 10/00/88 | |

EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: No

AGENCY CONTACT:

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

RIN: 7100-AA52

15.

TITLE:

Regulation: Y - Bank Holding Companies and Change in Bank Control and Regulation H - Membership of State Banking Institutions (Docket Number: R-0616)

LEGAL AUTHORITY:

12 USC 1843 (c)(8)
12 USC 371c
12 USC 3901

CFR CITATION:

12 CFR 225.13 (b)(1)
12 CFR 225, Appendix
12 CFR 208.14

ABSTRACT:

In November 1987, the Board requested comment regarding whether, in evaluating proposals submitted under section 3 of the Bank Holding Company Act, the Board should consider the impact of real estate activities of the bank to be acquired by the bank holding company on the financial condition of the bank and bank holding company, and, where appropriate, should prohibit banks and savings banks that are acquired by bank holding companies from directly engaging in real estate investment and development activities (52 FR 42301, November 4, 1987). The Board also requested comment on whether member banks in the Federal Reserve System that are not in a bank holding company should be made subject to the interaffiliate lending restrictions of section 23A of the Federal Reserve Act in their dealings with real estate investment and development subsidiaries of the bank. Finally, the Board requested comment regarding whether the Board should impose special capital requirements on real estate subsidiaries of banks in a bank holding company, under the Board's authority in the International Lending Supervision Act. These three proposals supplement the Board's earlier request for comment in December 1986 regarding whether the Board should permit bank holding companies to engage in real estate investment activities.

This proposal is not expected to have a significant economic impact on small companies because the Board believes that very few small banks are currently engaged in real estate investment and development activities, and bank holding companies are not generally permitted to engage in these activities. Following review of public comment the Board is expected to take further action within the next six months.

TITLE:

Regulation: Y - Bank Holding Companies and Change in Bank
Control and Regulation H - Membership of State Banking
Institutions (Docket Number: R-0616)

TIMETABLE:

| | ACTION | DATE | FR CITE |
|--|--------------------------------|----------|-------------|
| | Board requested public comment | 11/04/87 | 52 FR 42301 |
| | Further Board action by | 10/00/88 | |

EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: No

AGENCY CONTACT:

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

16.

TITLE:

Regulation: Y - Bank Holding Companies and Change in Bank Control (Docket Number: R-0614)

LEGAL AUTHORITY:

12 USC 1843 (c)(8)

CFR CITATION:

12 CFR 225.25 (b)(9)

ABSTRACT:

In September 1987, the Board requested public comment regarding whether the Board should authorize bank holding companies to acquire thrift institutions as a general matter under section 4(c)(8) of the Bank Holding Company Act (52 FR 36041, September 25, 1987). The Board currently permits bank holding companies to acquire thrift institutions only if the thrift is failing or has failed, and the acquisition is likely to result in revitalization of the thrift. The Board has requested comment regarding whether changes in the economic and regulatory environment, in particular, the expansion of the powers of thrifts and the growth in state initiatives authorizing interstate banking, justify revisions of the Board's policy and the authorization of thrift acquisitions by bank holding companies. The Board also requested comment on what, if any, conditions the Board should impose on bank holding companies seeking to acquire thrifts in order to assure that the public benefits of the acquisition do not outweigh the adverse effects. The Board's proposal, if adopted, is not expected to impose a substantial economic burden on small bank holding companies because this action, if taken, would permit all bank holding companies to acquire thrift institutions, and would not impose different requirements on companies based on their size. The Board will review the public comments and is expected to take further action within the next four months.

TIMETABLE:

| | ACTION | DATE | FR CITE |
|--|--------------------------------|----------|-------------|
| | Board requested public comment | 09/25/87 | 52 FR 36041 |
| | Further Board action by | 06/00/88 | |

EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: No

AGENCY CONTACT:

Michael J. O'Rourke
Senior Attorney
Legal Division
202 452-3288

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 to amend its Capital Adequacy Guidelines by adding a risk-based capital measure to supplement existing ratios of primary and total capital to total assets. Based in part on comments received in response to that earlier proposal the Board, in conjunction with the other federal bank regulatory agencies and the Bank of England, published a revised capital proposal in February 1987, which would have established minimum risk-based capital standards applicable to commercial banking organizations in the United States and the United Kingdom. Implementation of the U.S./U.K. proposal was deferred to enlist the participation of additional countries in the development of a broader international risk-based capital framework.

On January 27, 1987, the Board requested public comment on a revised capital guidelines proposal, in lieu of the U.S./U.K. measure, that is based upon a risk-based capital framework developed jointly during the past year by supervisory authorities from 12 major industrial countries. (A Federal Register cite is not yet available.)

The newly proposed risk-based capital framework consists of a revised definition of capital, a system for assigning assets and off-balance sheet items to risk categories, and a schedule for establishing minimum risk-based capital ratios (7.25 percent by year-end 1990, and 8.0 percent by year-end 1992). The proposal also provides for transitional arrangements and a phase-in period to facilitate adoption and implementation of the measure. This proposal has been designed to take account of those practices which have been engaged in primarily by larger banking organizations. Moreover, the major parts of the proposal have been structured to apply generally only to bank holding companies with assets of \$150 million or more. Consequently, the proposal is not likely to have a significant economic impact on smaller banking organizations.

The Board will review the comments on its revised proposal and will coordinate with other federal banking agencies with respect to the issuance of parallel guidelines or regulations implementing the proposal. Further action is expected by year-end 1988.

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 |
| | Board requests comment on revised | | |
| | proposal | 02/19/87 | 52 FR 5119 |
| | Board requests comment on revised | | |
| | proposal | 03/24/87 | 52 FR 9304 |
| | Board requested comment on revised | | |
| | proposal | 01/27/88 | |
| | Further Board action by | 12/00/88 | |

EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: No

AGENCY CONTACT:

Michael J. O'Rourke
Senior Attorney
Legal Division
202 452-3288

RIN: 7100-AA66

18.

TITLE:

Regulation: Z - Truth in Lending (Docket Number R-0625)

LEGAL AUTHORITY:

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

CFR CITATION:

12 CFR 226

ABSTRACT:

In December 1987, the Board proposed amending Regulation Z to require more disclosures about home equity lines secured by a consumer's principal dwelling much earlier in the credit process and in a standard format (52 FR 48702, December 24, 1987). Creditors would have to give additional information about the terms and conditions of a home equity plan. In the case of variable-rate loans, creditors would have to give more information about the variable-rate feature, as well as an historical table showing the effects of index changes on interest rates over a fifteen-year period. In cases where the interest rate has been adjusted, creditors also would have to provide more variable-rate information on or with the first periodic statement that is sent to consumers. Finally, creditors would have to provide consumers with a brochure that describes home equity loans. Most home equity plans contain complex terms and conditions and are riskier than the typical open-end credit plan because of the risk to the consumer's home in the event of default. The Board is concerned that consumers are not receiving sufficient information about the terms and conditions of these plans in a meaningful and timely fashion. The Board believes that adoption of the proposal will enable consumers to better understand a home equity plan before they contract for a particular product.

If the Board adopts this proposal, small banks and other small businesses engaged in home equity lending could incur some additional costs, including costs to revise and reprint disclosure forms and to acquire and distribute home equity education pamphlets. Before taking any final action, the Board would consider appropriate steps to minimize the burdens and costs of compliance with the final rule. The Board will review the public comments and is expected to take further action within the next two months.

TITLE:

Regulation: Z - Truth in Lending (Docket Number R-0625)

TIMETABLE:

| ACTION | DATE | FR CITE |
|--------------------------|----------|-------------|
| Board proposed amendment | 12/24/87 | 52 FR 48702 |
| Further Board action by | 04/00/88 | |

EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: Yes

AGENCY CONTACT:

Sharon Bowman
Attorney
Division of Consumer and Community Affairs
202 452-3667

19.

TITLE:

Regulation: CC - Availability of Funds and Collection of Checks and Regulation J - Collection of Checks and Other Items and Transfers of Funds (Docket Number: R-0620)

LEGAL AUTHORITY:

12 USC 4001 et seq

CFR CITATION:

12 CFR 229

12 CFR 210

ABSTRACT:

In December 1987, the Board proposed for public comment a new rule, Regulation CC, to implement the Expedited Funds Availability Act (52 FR 47112, December 11, 1987). The proposal sets out the requirements that banks and other depository institutions make funds deposited into accounts available according to specified time schedules and that institutions disclose their funds availability policies to their customers. The proposed regulation also establishes rules to speed the return of unpaid checks. The Board proposed to amend its existing Regulation J, which governs the collection of checks by Federal Reserve Banks, to conform to the new regulation. The proposed Regulation CC and the amendments to Regulation J would apply to all depository institutions, regardless of size, except that small institutions that do not hold transaction accounts would be exempt from the availability, disclosure, and payment of interest requirements.

In related actions, (Docket Numbers R-0621 and R-0622), the Board requested comment on new Federal Reserve Bank services to assist institutions in complying with the new regulations and on long-range proposals to improve the payments mechanism.

The Board will review the public comments and is expected to take further action within the next three months. The new rule will take effect on September 1, 1988.

TIMETABLE:

| ACTION | DATE | FR CITE |
|-------------------------|----------|-------------|
| Board proposed new rule | 12/11/87 | 52 FR 47112 |
| Further Board action by | 05/31/88 | |

EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: Yes

AGENCY CONTACT:

Joseph R. Alexander
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Legal Division
202 452-2489

20.

TITLE:

Further Proposals to Reduce Risks on Large-Dollar Wire Transfer Systems (Docket Numbers: R-0591 and 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 included 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 (R-0592).

It is not expected that these actions will 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.

In December 1987, following review of public comments, the Board approved changes in the automated clearing house mechanism to reduce risk (52 FR 49086, December 29, 1987). Action on pricing of daylight overdrafts (Docket No. R-0592) is expected in the Fall of 1988.

Further, the Board will be conducting a zero-based review of its risk reduction policy during 1988.

TIMETABLE:

| | ACTION | DATE | FR CITE |
|--|--------------------------------|----------|-------------|
| | Board requested comment | 12/16/86 | 51 FR 45042 |
| | Board adopted proposal in part | 12/29/87 | 52 FR 49086 |
| | Further Board action by | 11/00/88 | |

EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: No

AGENCY CONTACT:

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

RIN: 7100-AA76

21.

TITLE:

Rules Regarding Availability of Information (Docket Number:
R-0601)

LEGAL AUTHORITY:

5 USC 552
12 USC 248(i)
12 USC 248(e)

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 is reviewing public comments that have been received and will determine whether to issue as a final rule a proposed revision that simplifies and improves these rules. The revision, issued for public comment in April 1987, 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 (52 FR 13458, April 23, 1987). 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:

| | ACTION | DATE | FR CITE |
|--|---|----------|-------------|
| | Board requested comment | 04/23/87 | 52 FR 13458 |
| | Board will consider adoption of final rules by | 04/00/88 | |

EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: No

AGENCY CONTACT:

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RIN: 7100-AA73

Section 3
Completed Actions

22.

TITLE:

Regulation: F - Securities of State Member Banks (Docket Number: R-0609)

LEGAL AUTHORITY:

15 USC 78g "Securities Exchange of 1934"

CFR CITATION:

12 CFR 206

12 CFR 208

ABSTRACT:

In August 1987, the Board issued for comment a proposal to amend Regulation F to require publicly held state member banks to file information with the Board on the forms nonbanking entities use to file with the Securities and Exchange Commission ("SEC") (52 FR 30690, August 17, 1987). Pursuant to section 12(i) of the Securities Exchange Act of 1934, the Board is mandated to issue disclosure regulations that are substantially identical to the SEC's disclosure regulations under that Act, or to publish reasons why the Board's rules are not substantially identical to those of the SEC.

In December 1987, following review of public comments the Board rescinded Regulation F and amended Regulation H (Membership of State Banking Institutions in the Federal Reserve System) to require the above information. The amendment also permits state member banks with no foreign offices and total assets of \$150 million or less to substitute financial statements from quarterly reports of condition filed with the Board for the financial statements normally required on SEC Form 10-Q.

Adoption of the proposal is not expected to have a significant economic impact, since only 36 banks are presently subject to Regulation F. The proposal would impose an audit requirement upon state member banks, but this burden is minimal because 33 of the banks currently subject to Regulation F presently receive annual audits.

TIMETABLE:

| | ACTION | DATE | FR CITE |
|--|--------------------------|----------|-------------|
| | Board requested comment | 08/17/87 | 52 FR 30690 |
| | Board adopted a proposal | 12/31/87 | 52 FR 49374 |

EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: No

AGENCY CONTACT:

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RIN: 7100-AA82

23.

TITLE:

Regulation: T - Credit by Brokers and Dealers
(Docket Number R-0611)

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 August 1987, the Board requested comment on a proposed amendment to Regulation T that would permit broker-dealers to facilitate the exercise of valuable employee stock options by employees. In lieu of the securities to be received upon exercise of the option, the proposed amendment would allow the broker-dealer to accept a fully-endorsed employee stock option and instructions to the employer to deliver the securities to the broker-dealer. In December 1987, following review of public comments, the Board approved the amendment with a slight change in wording (52 FR 48804, December 18, 1987). It is not anticipated that this proposal will affect a significant portion of the overall lending activities of a substantial number of small firms.

TIMETABLE:

| | ACTION | DATE | FR CITE |
|--------------------------------|--------------|----------|-------------|
| Board proposed an amendment to | Regulation T | 08/26/87 | 52 FR 32138 |
| Board adopted an amendment to | Regulation T | 12/18/87 | 52 FR 48804 |

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-AA71

24.

TITLE:

Regulation U - Credit by Banks for the Purpose of Purchasing or Carrying Margin Stocks (Docket Number: R-0608)

LEGAL AUTHORITY:

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

CFR CITATION:

12 CFR 221

ABSTRACT:

In August 1987, the Board requested comment on a proposed amendment to Regulation U that would exempt banks making loans of \$100,000 or under from the requirement that Form FR U-1 must be executed, and amend the form to reflect this change (52 FR 29701, August 11, 1987). The purpose is to reduce the paperwork burden associated with the preparation of Form FR U-1 which is currently required whenever a bank makes a loan secured by "margin stock."

Following review of public comments, the Board approved the amendment in substantially the form proposed (52 FR 35683, September 23, 1987).

It is anticipated that this proposal will reduce paperwork burden on small banks and, therefore, will have no adverse economic impact on a substantial number of small entities.

TIMETABLE:

| | ACTION | DATE | FR CITE |
|--------------------------------|--------------|----------|-------------|
| Board proposed an amendment to | Regulation U | 08/11/87 | 52 FR 29701 |
| Board adopted amendment to | Regulation U | 09/23/87 | 52 FR 35683 |

EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: No

AGENCY CONTACT:

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

RIN: 7100-AA83

25.

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. However, in view of the redefinition of the term "bank" in the recently enacted Competitive Equality Banking Act of 1987, no further action by the Board is expected on this matter.

TIMETABLE:

| ACTION | DATE | FR CITE |
|--------------------------------|----------|------------|
| Board requested comment | 01/15/85 | 50 FR 2057 |
| No further action by the Board | 04/00/88 | |
| Board is expected | | |

EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: No

AGENCY CONTACT:

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RIN: 7100-AA51

26.

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:

In November 1986, the Board proposed that creditors make more extensive disclosure of the variable rate feature in transactions secured by a consumer's home. The proposal called for disclosure about variable rate loans early in the credit shopping process and at subsequent times prior to payment adjustments. Following the review of public comments and further analysis, the Board adopted a final rule in December 1987 (52 FR 48665, December 18, 1987). The amendments require that creditors provide consumers general descriptive material about adjustable rate mortgages as well as provide a disclosure describing the adjustable rate mortgage programs in which the consumer expresses an interest. This disclosure would include an example showing the effect of historical change in a creditor's index over a 15 year period on the payments and balance on a \$10,000 loan. The initial and maximum interest rates and payments for a \$10,000 loan also would be stated. Finally, the amendments require annual notice of interest rate adjustments and prior notice of payment adjustments.

The Board developed the disclosure amendments in consultation with the other federal agencies currently imposing separate and differing disclosure obligations on creditors. The Board believes that adoption of the amendments as the uniform federal disclosure requirements for adjustable rate mortgage loans will improve the information consumers receive and eliminate the burden on creditors caused by the overlapping federal requirements. In addition, the amendments reflect certain changes designed to minimize the burdens and costs of compliance that may result from revising and reprinting forms and changing procedures to comply with the requirements.

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 |
| | Board adopted the proposal | 12/18/87 | 52 FR 48665 |

EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: Yes

AGENCY CONTACT:

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RIN: 7100-AA50

27.

TITLE:

Regulation: Z - Truth in Lending (Docket Number: R-0613)

LEGAL AUTHORITY:

PL 100-86 "Competitive Equality Banking Act of 1987"

CFR CITATION:

12 CFR 226

ABSTRACT:

In September 1987, the Board published for comment a proposal to amend Regulation Z to implement section 1204 of the Competitive Equality Banking Act (CEBA), which requires creditors to include a maximum interest rate ceiling in adjustable rate mortgage loans that are secured by a dwelling. Section 1204 of CEBA became effective on December 9, 1987.

In November 1987, following the review of public comments and further analysis, the Board adopted a final rule (52 FR 43178, November 9, 1987). The regulatory amendment -- section 226.30 of Regulation Z -- requires creditors to include a maximum interest rate ceiling in all dwelling-secured consumer credit obligations entered into on or after December 9, 1987 that are subject to the Truth in Lending Act -- both open and closed end credit -- and that contractually allow for interest rate adjustments during the term of the obligation.

The proposal is not expected to have a significant economic impact on a substantial number of small banks.

TIMETABLE:

| | ACTION | DATE | FR CITE |
|---|--------|----------|-------------|
| Board issued for comment a proposed amendment to Regulation Z | | 09/15/87 | 52 FR 34811 |
| Board adopted a final rule amending Regulation Z | | 11/09/87 | 52 FR 43178 |

EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: No

AGENCY CONTACT:

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RIN: 7100-AA81

28.

TITLE:

Proposed Guidelines Regarding the Bank Bribery Act
(Docket Number: R-0603)

LEGAL AUTHORITY:

18 USC 215(d) "Bank Bribery Amendments Act of 1985"

ABSTRACT:

As required by the Bank Bribery Amendments Act of 1985, the Board, in May 1987, issued for public comment proposed guidelines that encourage all state member banks and bank holding companies to adopt internal codes of conduct or written policies or amend their present codes of conduct or policies to describe the prohibitions contained in the Bank Bribery Act. The Bank Bribery Act prohibits anyone, including a financial institution's employees, officers, directors, agents or attorneys, from corruptly soliciting or accepting anything of value in connection with the business of the financial institution. The Board's guidelines also identify situations that, in the opinion of the Board, may not constitute violations of the Bank Bribery Act. The proposed guidelines are not expected to have a significant impact on small banking entities. In October 1987 following review of the public comments, the Board adopted the guidelines without any significant change (52 FR 39277, October 21, 1987).

TIMETABLE:

| | ACTION | DATE | FR CITE |
|--|--------------------------|----------|-------------|
| | Board requested comment | 05/22/87 | 52 FR 19396 |
| | Board adopted guidelines | 10/21/87 | 52 FR 39277 |

EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: No

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