

Federal Reserve System

At 10390

Semiannual Regulatory Flexibility Agenda October 1, 1990 - April 1, 1991

BOARD OF GOVERNORS' SEMIANNUAL REGULATORY FLEXIBILITY AGENDA

The Semiannual Regulatory Flexibility 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 twice a year in the *Federal Register*. Comments regarding any of the Agenda items should be submitted directly to the Board of Governors.

Circulars Division
FEDERAL RESERVE BANK OF NEW YORK
October 1990

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 October 1, 1990, through April 1, 1991. The next Semiannual Agenda will be published in April 1991.

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 October 1990 Agenda as part of the October 1990 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:

The Board is conducting 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 and other 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 the revisions would have a significant economic impact on a substantial number of small banks.

TIMETABLE:	ACTION	DATE	FR CITE
	Board may consider revisions to Regulation E	10/00/90	

EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: None

AGENCY CONTACT:

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

Rin: 7100-AA77

2.

TITLE:

Regulation: G - Securities Credit by Persons Other Than Banks, Brokers, or Dealers; and Regulation: U - Credit by Banks for the Purpose of Purchasing or Carrying Margin Stocks

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 207

12 CFR 221

ABSTRACT:

During the next four months the Board may address the ability of lenders subject to Regulations G and U to transfer a credit between these two types of lenders without treating the transaction as creating a new extension of credit. The regulations currently permit a transfer only between lenders subject to the same regulation. Several law firms have expressed an interest in such a deregulatory amendment.

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 address transfer provisions in Regulations G and U	12/00/90	

EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: None

AGENCY CONTACT:

Laura Homer

Securities Credit Officer

Div. of Banking Supervision and Regulation

202 452-2781

RIN: 7100-AA99

3.

TITLE:

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

LEGAL AUTHORITY:

12 USC 1843
12 USC 1844(b)

CFR CITATION:

12 CFR 225

ABSTRACT:

The Board will consider issuing for public comment a proposal to add full service brokerage and financial advisory activities to the laundry list in Regulation Y. The Board has previously determined by order that bank holding companies may provide these activities.

Adoption of the proposal would not result in any significant economic impact on bank holding companies. Following review of public comments, the Board is expected to adopt the revisions by year-end.

TIMETABLE:	ACTION	DATE	FR CITE
	Board will issue proposal for comment by	10/00/90	
	Final Board action by	12/00/90	

EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: None

AGENCY CONTACT:

Scott Alvarez
Assistant General Counsel
Legal Division
202-452-3583

4.

TITLE:

Private Sector Presentment (Docket Number: R-0631)

LEGAL AUTHORITY:

12 USC 4008(c)

CFR CITATION:

00 CFR None

ABSTRACT:

In April 1988, the Board requested comment on whether it should require paying banks to pay for checks presented by private sector collecting banks before 2:00 p.m. in same-day funds and without imposing presentment fees (53 FR 11911, April 11, 1988). The purpose of such a regulation would be to speed the forward collection of checks by requiring paying banks to accept checks without charging a fee later in the day, thus increasing the number of checks that can be collected that day. It would give private sector collecting banks the same rights vis-a-vis paying banks as the Federal Reserve Banks now have.

The Board has not yet made a specific proposal to amend its regulation in this regard. Rather, it is merely requesting comment on the idea of same-day payment in private sector presentments. If such a regulation were to be adopted, small entities that might be affected include small banks and state and local governments.

The Board has conferred with an industry task force and is expected to propose specific regulations within the next six months.

TIMETABLE:	ACTION	DATE	FR CITE
	Board requests comment	04/11/88	53 FR 11911
	Board extends comment period to December 1, 1988	07/21/88	53 FR 27565
	Board will propose specific regulations	02/00/91	

EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: Yes

AGENCY CONTACT:

Louise L. Roseman
Assistant Director
Div. of Federal Reserve Bank Operations
202 452-3874

RIN: 7100-AA96

Section 2
Final Rule Stage

5.

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 is expected to take further action.

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	04/00/91	

TITLE:

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

EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: None

AGENCY CONTACT:

John Harry Jorgenson
Senior Attorney
Legal Division
202 452-3778

RIN: 7100-AA62

6.

TITLE:

Regulation: H - Membership of State Banking Institutions in the Federal Reserve System (Docket Number: R-0696)

LEGAL AUTHORITY:

12 USC 56
12 USC 60
12 USC 248(j)
12 USC 324

CFR CITATION:

12 CFR 208

ABSTRACT:

In May 1990, the Board approved issuing for comment a proposed amendment to Regulation H that would change the way state member banks calculate their legal dividend paying capacity and clarify the circumstances under which these banks must seek the approval of the Board to pay dividends (55 FR 23941, June 13, 1990). Under the proposed amendments, which are also being considered by the Office of the Comptroller of the Currency, banks would be required to calculate dividend paying capacity in accordance with generally accepted accounting practices ("GAAP"). This is intended to provide a more accurate measure of an institution's true dividend paying capacity, and to maintain parity between state member and national banks.

The proposal is not expected to have a significant economic impact on a substantial number of small banks. Following review of the public comments, the Board is expected to take further action within the next four months.

TIMETABLE:	ACTION	DATE	FR CITE
	Board requested public comment	06/13/90	55 FR 23941
	Further Board action by	12/00/90	

EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: None

AGENCY CONTACT:

Lawranne Stewart
Attorney
Legal Division
202 452-3513

7.

TITLE:

Regulation: H - Membership of State Banking Institutions; and
Regulation: Y - Bank Holding Companies and Change in Bank Control
(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 on 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 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 on 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.

It is not expected that the Board would take action on this proposal until after resolution of pending rulemaking regarding the current Regulation Y provision permitting bank holding companies to acquire, through their subsidiary state banks, shares of companies engaged in activities that the bank is permitted to conduct under state law, so-called operations subsidiaries (R-0652).

TITLE:

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

TIMETABLE:	ACTION	DATE	FR CITE
	Board requested public comment	11/04/87	52 FR 42301
	Further Board action indefinite	04/00/91	

EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: None

AGENCY CONTACT:

Scott G. Alvarez
Assistant General Counsel
Legal Division
202 452-3583

RIN: 7100-AA88

8.

TITLE:

Regulation: J - Collection of Checks and Other Items and Wire Transfers of Funds by Federal Reserve Banks (Docket Number: R-0697)

LEGAL AUTHORITY:

12 USC 248(i)
12 USC 248(j)
12 USC 248(o)
12 USC 342
12 USC 464

CFR CITATION:

12 CFR 210, Subpart B

ABSTRACT:

In May 1990, the Board approved issuing for public comment a proposed revision to Subpart B of Regulation J so as to apply Article 4A of the Uniform Commercial Code to funds transfers handled by Federal Reserve Banks, subject to a limited number of modifications and clarifications that are consistent with the purposes of Article 4A, and that generally could be made by a private funds-transfer system by means of a funds-transfer system rule under Article 4A (55 FR 23208, June 7, 1990). This revision to Subpart B would: (1) provide a more comprehensive set of rules for funds transfers involving Federal Reserve Banks than is currently provided by Subpart B; (2) make Subpart B consistent with state laws applicable to funds transfers as states adopt Article 4A; and (3) help ensure that, subject to their central banking responsibilities, Federal Reserve Banks compete on an equitable basis with private sector providers of funds-transfer services, and concurrently minimize any significant economic impact of the proposed rule on small entities. Although the proposed rule potentially affects all depository institutions, and any individual or business that may send or receive a funds transfer through Fedwire, the Board does not believe that complying with the proposed Subpart B rules will impose a significant cost on depository institutions, including small institutions. Following review of the public comments, the Board is expected to take further action within the next two months.

TIMETABLE:	ACTION	DATE	FR CITE
	Board approved proposal for comment	06/07/90	55 FR 23208
	Further Board action by	10/00/90	

EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: None

AGENCY CONTACT:

Oliver Ireland
Associate General Counsel
Legal Division
202 452-3625

9.

TITLE:

Regulation: K - International Banking Operations (Docket Number: R-0703)

LEGAL AUTHORITY:

12 USC 221 et seq
12 USC 1841 et seq
12 USC 3101 et seq

CFR CITATION:

12 CFR 211

ABSTRACT:

In July 1990, the Board approved issuing for comment revisions to Regulation K in a number of areas dealing with the U.S. and foreign operations of Edge and Agreement corporations, member banks, bank holding companies, and foreign banking organizations (55 FR 32424, August 9, 1990).

The Board proposes to increase the authority of foreign subsidiaries of bank holding companies and Edge corporations to underwrite equity securities outside the United States from the current limit of \$15 million to an amount that is the lesser of \$60 million or 25 percent of capital. The limits for dealing in equity securities are proposed to be increased to the lesser of \$30 million or 10 percent of capital. Restrictions on the percentage of an issuer's shares that may be underwritten would be eliminated.

Other major areas in which the Board requested comment include expanding the list of permissible activities abroad to include underwriting life, accident, and health insurance; increasing the amount limits under which an organization may invest in a foreign company without prior notification to the Board; clarifying the portfolio investment authority; requesting comment on expanding the list of customers for which Edge corporations may provide full banking services in the United States; and clarifying the standards for exemption as a qualifying, foreign banking organization.

It is not expected that any revisions would have an adverse impact on a substantial number of small banking organizations. Following review of the public comments, the Board is expected to take further action by year-end.

TIMETABLE:	ACTION	DATE	FR CITE
	Board proposed revisions	08/09/90	55 FR 32424
	Board will take further action by	12/00/90	

EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: None

AGENCY CONTACT:

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

RIN: 7100-AA98

10.

TITLE:

Regulation: P - Minimum Security Devices and Procedures for Federal Reserve Banks and State Member Banks (Docket Number: R-0688)

LEGAL AUTHORITY:

12 USC 1881 to 1884

CFR CITATION:

12 CFR 216

ABSTRACT:

In December 1989, the Board approved issuing for public comment a zero-based review of Regulation P, the regulation which implements the Bank Protection Act of 1968, and establishes minimum security standards for Federal Reserve Banks and for state member banks (55 FR 12850, April 6, 1990). The review considers 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. It is not anticipated that the revised regulation will have a significant economic impact on a substantial number of small banks. Following review of comments, the Board will consider changes in the regulation within the next six months.

TIMETABLE:	ACTION	DATE	FR CITE
	Board approved issuing revisions for comment	12/15/89	55 FR 12850
	Further Board action by	04/00/91	

EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: None

AGENCY CONTACT:

Thomas A. Durkin
Regulatory Planning and Review Director
Office of the Secretary
202 452-2326

RIN: 7100-AA69

11.

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 six 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

04/00/91

EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: None

AGENCY CONTACT:

Patrick J. McDivitt
Attorney
Legal Division
202 452-3818

RIN: 7100-AA56

12.

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 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.)

It is not expected that the Board would take action on this proposal until after resolution of pending rulemaking regarding the current Regulation Y provision permitting bank holding companies to acquire, through their subsidiary state banks, shares of companies engaged in activities that the bank is permitted to conduct under state law, so-called operations subsidiaries (R-0652).

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 indefinite	04/00/91	

EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: None

AGENCY CONTACT:

Scott G. Alvarez
Assistant General Counsel
Legal Division
202 452-3583

RIN: 7100-AA52

13.

TITLE:

Regulation: Y - Bank Holding Companies and Change in Bank Control
(Docket Number: R-0652)

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).

In December 1988, the Board requested public comment regarding whether this rule, as it applies to nonbanking companies owned by state banks in a holding company system, continues to be valid and appropriate in light of enactment of the Garn-St Germain Act and certain recent court decisions (53 FR 48915, December 5, 1988). The Board also held an informal public hearing on this matter on April 7, 1989. The Board has not proposed revising its current rule regarding subsidiaries of national banks in a holding company.

A determination to reverse the Board's state bank rule could have an adverse impact on small banks that are subsidiaries of holding companies because they might be required to restructure their nonbanking activities or to take other action.

The Board has not determined what further action is appropriate.

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 requested comments	12/05/88	53 FR 48915
	Further Board action to be determined	04/00/91	

TITLE:

Regulation: Y - Bank Holding Companies and Change in Bank Control
(Docket Number: R-0652)

EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: Yes

AGENCY CONTACT:

Scott G. Alvarez
Assistant General Counsel
Legal Division
202 452-3583

RIN: 7100-AA41

14.

TITLE:

Regulation: Y - Bank Holding Companies and Change in Bank Control
(Docket Number: R-0664)

LEGAL AUTHORITY:

12 USC 1843(c)(8)

CFR CITATION:

12 CFR 225

ABSTRACT:

In December 1988, the Board requested public comment on an application by a bank holding company to provide armored car transportation services to non-affiliated customers and on whether the proposed armored car 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 (53 FR 50292, December 14, 1988).

The National Armored Car Association submitted comments in opposition to the application and requested a hearing on whether the proposal would meet section 4(c)(8) of the Bank Holding Company Act. A formal, public hearing before a hearing officer was held on June 16 and July 11, 1989, at the offices of the Board in Washington, D.C. On January 23, 1990, the hearing officer recommended that the application be denied, based on his determination that the proposed armored car services were not closely related to banking under section 4(c)(8). On June 18, 1990, the Board reversed this finding and remanded the case to the hearing officer for a recommended decision on whether the proposed services were a "proper incident" to banking. The application, if approved, would permit a small bank holding company that currently operates an armored car for internal automatic teller machine servicing to utilize excess capacity in the armored car to serve non-affiliated financial institutions and other customers in the East Moline, Illinois, trading area, an activity not currently permitted under 12 CFR 225.

TIMETABLE:

	ACTION	DATE	FR CITE
Board issued proposal for comment		12/14/88	53 FR 50292
Board will review further		04/00/91	

EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: None

AGENCY CONTACT:

Katherine H. Wheatley
Senior Attorney
Legal Division
202 452-3779

RIN: 7100-AB03

15.

TITLE:

Regulation: Y - Bank Holding Companies and Change in Bank Control
(Docket Number: R-0686)

LEGAL AUTHORITY:

PL 101-73, 103 Stat 183

CFR CITATION:

12 CFR Part 225, Subpart H

ABSTRACT:

In February 1990, the Board approved issuing for public comment a proposed regulation, which implements section 914 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, requiring banks and bank holding companies to provide notice to the Federal Reserve System 30 days before adding any individual to the institution's board of directors or employing any individual as a senior executive officer under certain circumstances (55 FR 6787, February 27, 1990). Notice would be required if the institution is failing to meet minimum capital standards or is otherwise in a troubled condition, has undergone a change in control within the past two years, or has received a bank charter within the past two years. The regulation defines "senior executive officer," "troubled condition," and "change in control."

The proposal is not expected to have a significant economic impact on a substantial number of small business entities. State member banks and bank holding companies will be affected if they meet one of the criteria that triggers the notice requirements. Following review of public comments, the Board is expected to take further action within the next two months.

TIMETABLE:	ACTION	DATE	FR CITE
	Board approved proposal for comment	02/09/90	55 FR 6787
	Further Board action by	10/00/90	

EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: None

AGENCY CONTACT:

Scott G. Alvarez
Assistant General Counsel
Legal Division
202 452-3583

RIN: 7100-AB07

16.

TITLE:

Regulation: Y - Bank Holding Companies and Change in Bank Control
(Docket Number: R-0694)

LEGAL AUTHORITY:

12 USC 1843(c)(8)

CFR CITATION:

12 CFR 225, Subpart C

ABSTRACT:

In May 1990, the Board approved issuing for comment a proposal to amend the provision in Regulation Y governing leasing transactions by bank holding companies to relax the limitation on reliance on the residual value of leasing property (55 FR 22348, June 1, 1990). The Board is proposing to raise the maximum estimated residual value of leased personal property on which bank holding companies may rely for their compensation in recovering the full cost of leasing transactions from 20 percent to up to 100 percent of the acquisition cost of the leased property. Section 108 of the Competitive Equality Banking Act of 1987 granted similar authority to national banks subject to a volume limitation. These higher residual value leasing transactions by bank holding companies would also be subject to certain volume limitations, and would remain subject to the prudential limitations currently set forth in Regulation Y. The proposal is not expected to have a significant economic impact on a substantial number of small business entities. Following review of public comments, the Board is expected to take further action within the next two months.

TIMETABLE:	ACTION	DATE	FR CITE
	Board requested comment	06/01/90	55 FR 22348
	Further Board action	10/00/90	

EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: None

AGENCY CONTACT:

Thomas M. Corsi
Attorney
Legal Division
202 452-3275

17.

TITLE:

Regulation: Y - Bank Holding Companies and Change in Bank Control
(Docket Number: R-0698)

LEGAL AUTHORITY:

12 USC 1841 et seq

CFR CITATION:

12 CFR 225.125

ABSTRACT:

In June 1990, the Board approved issuing for comment a proposed revision to a Board interpretation of the Glass-Steagall Act and the Bank Holding Company Act that would permit bank holding companies to broker and recommend shares of investment companies that are advised by a bank holding company or its subsidiaries (55 FR 25849, June 25, 1990). The revision would permit bank holding companies the authority to perform greater services to investment companies and brokerage customers. The proposal would enable bank holding companies to enhance competition in the brokerage industry by clarifying permissible activities for bank holding companies.

The proposal is not expected to have a significant economic impact on a substantial number of small business entities. Following review of the public comments, the Board is expected to take further action within the next three months.

TIMETABLE:	ACTION	DATE	FR CITE
	Board approved proposal for comment	06/25/90	55 FR 25849
	Further Board action by	11/00/90	

EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: None

AGENCY CONTACT:

Brendan T. Gormley
Attorney
Legal Division
202 452-3721

18.

TITLE:

Regulation: Y - Bank Holding Companies and Change in Bank Control
(Docket Number: R-0699)

LEGAL AUTHORITY:

12 USC 1971(1)

CFR CITATION:

12 CFR 225, Subpart A

ABSTRACT:

In June 1990, the Board issued for comment a proposal to revise section 225.4(d) of Regulation Y to provide a limited exemption from the tie-in prohibitions in section 106 of the Bank Holding Company Act Amendments of 1970 (55 FR 26453, June 28, 1990). The proposed amendment to Regulation Y would permit a bank owned by a bank holding company to vary the consideration (including interest rates and fees) charged in connection with extensions of credit pursuant to a credit card offered by the bank (including a credit card bank) on the basis of the condition or requirement that a customer also obtain a traditional banking service from a bank or savings association of the card-issuing bank's parent holding company. However, both the credit card and the traditional banking service in the tying arrangement will be required to be separately available for purchase by the customer. Moreover, the Board may modify or terminate a bank holding company's exemption in the event that facts develop to indicate that the tying arrangement has resulted in anticompetitive practices.

This proposal is not expected to have a significant economic impact on a substantial number of small entities that would be subject to the regulation. The proposed regulation would make this exemption, recently approved by the Board in the context of two requests for an exemption by bank holding companies, available to bank holding companies generally, without the need for Federal Reserve System action on individual requests. Following review of the public comments, the Board will take further action within the next two months.

TIMETABLE:	ACTION	DATE	FR CITE
	Board requested public comment	06/28/90	55 FR 26453
	Further Board action by	10/00/90	

EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: None

AGENCY CONTACT:

Robert deV. Frierson
Senior Attorney
Legal Division
202 452-3711

19.

TITLE:

Regulation: Y - Bank Holding Companies and Change in Bank Control
(Docket Number: R-0700)

LEGAL AUTHORITY:

12 USC 1817(j)

CFR CITATION:

12 CFR 225, Subpart E

ABSTRACT:

In June 1990, the Board requested comment on a proposed amendment to Regulation Y designed to minimize the burden on persons who are subject to the Change in Bank Control Act ("Control Act") (55 FR 28216, July 10, 1990). Currently, the Board requires an individual to file a notice under the Control Act when he or she acquires voting shares of a bank or bank holding company and will have between 10 and 25 percent of the shares of any class of stock after the acquisition. The proposal will allow such an individual to increase the percentage of ownership up to 25 percent without filing additional notices once approval has been received to acquire at least 10 percent of the voting shares of the bank or bank holding company. The change in existing procedures is not expected to have any adverse economic impact on small entities. The filing burdens on such entities will be minimized by this proposal.

This action is appropriate because, in the Board's experience, the requirement for additional filings by a person who has already been subject to regulatory review and seeks to control less than 25 percent of the shares of a bank or bank holding company imposes significant burdens on the acquiring person without identifying significant financial, managerial, competitive, or other problems.

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

TIMETABLE:	ACTION	DATE	FR CITE
	Board requested comment	07/10/90	55 FR 28216
	Further Board action by	04/00/91	

EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: None

AGENCY CONTACT:

Mark J. Tenhundfeld
Attorney
Legal Division
202 452-3612

20.

TITLE:

Regulation: Z - Truth in Lending (Docket Number: R-0687)

LEGAL AUTHORITY:

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

CFR CITATION:

12 CFR 226

ABSTRACT:

In March 1990, the Board solicited comment on whether to amend Regulation Z to prohibit creditors from suspending advances of credit for their home equity plans if the maximum rate cap is reached (55 FR 10465, March 21, 1990). This action was taken as a result of questions that have arisen in a recent lawsuit. It is not anticipated that this proposal would have any significant impact on small institutions.

Following review of the public comments, the Board is expected to take further action in the near future.

TIMETABLE:

ACTION	DATE	FR CITE
Board issued proposal for comment	03/21/90	55 FR 10465
Board will consider proposal by	10/00/90	

EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: None

AGENCY CONTACT:

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

RIN: 7100-AB05

21.

TITLE:

Regulation: BB - Community Reinvestment (Docket Number: R-0691)

LEGAL AUTHORITY:

12 USC 2901 et seq

CFR CITATION:

12 CFR 228

ABSTRACT:

In June 1990, the Board (along with the Department of the Treasury, Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation, and the Office of Thrift Supervision) issued a temporary rule amending Regulation BB (and the other agencies' respective regulations) to implement changes in the Community Reinvestment Act contained in Title XII of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (55 FR 26623, June 28, 1990). Although the temporary rule is effective upon publication, the Board and other agencies are requesting comment prior to adopting final regulations.

The amendments are intended to establish and set forth requirements for the institutions supervised by the Federal Reserve System regarding the public availability of the public section of the Community Reinvestment Act Performance Evaluations and CRA ratings of the institutions as prepared by the Federal Reserve Banks. The temporary rule requires institutions to place the CRA Performance Evaluation and CRA rating in a public comment file within 30 business days of receipt from the Federal Reserve Banks. The temporary rule, if adopted as a final rule, is not expected to have a significant economic impact on a substantial number of small entities; it imposes only minor burdens on all institutions, regardless of size.

Following review of the public comments, the Board is expected to adopt final amendments by year-end.

TIMETABLE:	ACTION	DATE	FR CITE
	Board adopted temporary rule	06/28/90	55 FR 26623
	Final Board action by	12/00/90	

EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: None

AGENCY CONTACT:

Janice Scandella
Review Examiner
Division of Consumer and Community Affairs
202 452-3946

22.

TITLE:

Proposals to Modify the Payments System Risk Reduction Program
(Docket Numbers: R-0661, R-0668, R-0669, R-0670)

LEGAL AUTHORITY:

12 USC 221 et seq

CFR CITATION:

00 CFR None

ABSTRACT:

In June 1989, the Board requested comment on several proposals that would modify its payments system risk reduction program (54 FR 26090, June 21, 1989). The proposals concerned pricing of daylight overdrafts, net debit caps, and measures of capital (R-0668), book-entry securities transactions (R-0669), and foreign bank agencies and branches (R-0670). In addition, as another facet of its risk reduction program, in March 1989, the Board requested comment on changes in the way the Federal Reserve Banks treat automated clearing house transactions (Docket R-0661, 54 FR 8822, March 2, 1989).

In May 1990, the Board adopted in final form those elements of its risk reduction policy concerning net debit caps, measures of capital, book-entry securities transactions, and foreign bank agencies and branches (55 FR 22087, May 31, 1990). The Board is expected to take action on daylight overdraft pricing within the next six months and on automated clearinghouse transactions within the next twelve months. 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.

TIMETABLE:

ACTION	DATE	FR CITE
Board requested comment	06/21/89	54 FR 26090
Adoption of policies (R-0669, R-0670, and part of R-0668)	05/31/90	55 FR 22087
Further Board action by	04/00/91	

EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: None

AGENCY CONTACT:

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

RIN: 7100-AA76

23.

TITLE:

Proposals to Modify the Payments System Risk Reduction Program
(Docket Number: R-0693)

LEGAL AUTHORITY:

12 USC 221 et seq

CFR CITATION:

000 CFR None

ABSTRACT:

In May 1990, as part of its payments system risk reduction program, the Board requested comment on a proposed risk reduction policy that would prohibit bankers' banks and Edge corporations from incurring funds or book-entry overdrafts on Fedwire (55 FR 22086, May 31, 1990). The Board proposed that Reserve Banks assess a penalty fee when these or other institutions with imposed zero caps incur inadvertent daylight or overnight overdrafts on Fedwire.

It is not expected that these proposals 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. Furthermore, this proposal is limited to a small subset of Fedwire participants.

Following review of the public comments, the Board is expected to take further action within the next four months.

TIMETABLE:	ACTION	DATE	FR CITE
	Board requested comment	05/31/90	55 FR 22086
	Further Board action by	12/00/90	

EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: None

AGENCY CONTACT:

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

Section 3
Completed Section

24.

TITLE:

Regulation: H - Membership of State Banking Institutions; and
Regulation: Y - Bank Holding Companies and Change in Control
(Docket Number: R-0685)

LEGAL AUTHORITY:

12 USC 3310
12 USC 3331 to 3351

CFR CITATION:

12 CFR 208
12 CFR 225

ABSTRACT:

In January 1990, the Board requested public comment on a proposed regulation that prescribes standards for the performance of real estate appraisals in connection with federally related transactions. This regulation, which applies to real estate transactions entered into or regulated by the federal financial institutions regulatory agencies, is mandated by Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 ("FIRREA"). The member agencies of the FFIEC and the Resolution Trust Corporation are required by FIRREA to propose their appraisal regulations by February 9, 1990, and adopt them in final form by August 9, 1990.

FIRREA contemplates a two step phase-in of the provisions of Title XI, reflected in the proposed regulation. The first step requires that as of August 9, 1990, all appraisals rendered in connection with federally related transactions must be performed in accordance with the appraisal standards of the Appraisal Foundation and any additional standards adopted by the agencies. The second step requires that as of July 1, 1991, all such appraisals must be performed by appraisers either certified or licensed by the states in a manner consistent with Title XI.

In June 1990, following review of the public comments, the Board adopted a final regulation (55 FR 27762, July 5, 1990). The Board made a number of significant changes to the initial proposal that should help to reduce costs, particularly for smaller institutions, and to focus the regulation on those transactions where appraisal standards are most important.

TIMETABLE:	ACTION	DATE	FR CITE
	Board requested public comment	02/09/90	55 FR 4810
	Board adopted proposal	07/05/90	55 FR 27762

EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: Yes

AGENCY CONTACT:

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

RIN: 7100-AB06

25.

TITLE:

Regulation: H - Membership of State Banking Institutions; and
Regulation: Y - Bank Holding Companies and Change in Bank Control
(Docket Number: R-0683)

LEGAL AUTHORITY:

12 USC 1844(b)
12 USC 3909

CFR CITATION:

12 CFR 208, Appendices A and B
12 CFR 225, Appendices A, B and D

ABSTRACT:

In December 1989, the Board requested public comment on proposed transition capital guidelines to be applied through the end of 1990, as well as guidelines for a proposed new leverage constraint.

Under the proposal, state member banks and bank holding companies may choose up to the end of 1990 to conform to either the existing minimum capital adequacy ratios (5.5 percent primary capital and 6 percent total capital to total assets) or to the 7.25 percent year-end 1990 risk-based capital standards. In addition, the Board proposed to establish and apply during this period a minimum ratio of Tier 1 capital to total assets (leverage ratio). For leverage purposes, Tier 1 would be defined consistent with the year-end 1992 risk-based capital guidelines. The Board also proposed to drop the existing 5.5 percent primary and 6 percent total capital to total assets leverage ratios after year-end 1990. The Tier 1 leverage ratio would then constitute the minimum capital to total assets standard for banking organizations. Under the Board's proposal, these standards would be minimum requirements.

In June 1990, following review of the public comments, the Board adopted the guidelines in substantially the form proposed (55 FR 32827, August 10, 1990).

It is not expected that adoption of this proposal will have a significant economic impact on a substantial number of small banking organizations. Rather than requiring all banking organizations to raise additional capital, the guidelines are directed at institutions whose capital positions are less than fully adequate in relation to their risk and leverage profiles. In addition, these guidelines generally will not apply to bank holding companies with consolidated assets of less than \$150 million.

TIMETABLE:	ACTION	DATE	FR CITE
	Board requested public comment	01/05/90	55 FR 581
	Board adopted guidelines	06/20/90	55 FR 32827

EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: None

TITLE:

Regulation: H - Membership of State Banking Institutions; and
Regulation: Y - Bank Holding Companies and Change in Bank Control
(Docket Number: R-0683)

AGENCY CONTACT:

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

Rin: 7100-AB08

26.

TITLE:

Regulation: T - Credit by Brokers and Dealers (Docket Number:
R-0675

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 September 1989, the Board proposed for public comment several amendments to Regulation T to accommodate settlement and clearance of foreign securities. The amendments would: (1) permit certain foreign debt and equity securities to be eligible for margin at broker-dealers on the same basis as domestic margin securities; (2) eliminate the current dollar-only accounting requirement for margin accounts; (3) tie the time for customer payment for foreign securities to the foreign settlement date; and (4) allow a registered broker-dealer to arrange credit on foreign securities. In March 1990, following review of the public comments, the Board adopted the amendments in substantially the form proposed (55 FR 11158, March 21, 1990). It is not anticipated that any proposals in this area will affect a significant portion of the overall lending activities of a substantial number of small firms.

TIMETABLE:	ACTION	DATE	FR CITE
	Board proposed amendments to Regulation T	09/29/89	54 FR 41454
	Board adopted amendments	03/21/90	55 FR 11158

EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: None

AGENCY CONTACT:

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

RIN: 7100-AA72

27.

TITLE:

Regulation: CC - Availability of Funds and Collection of Checks
(Docket Number: R-0679)

LEGAL AUTHORITY:

12 USC 4001 et seq

CFR CITATION:

12 CFR 229

ABSTRACT:

In December 1989, the Board requested comment on proposed amendments to its Regulation CC, governing availability of funds and collection of checks. The proposals included shortening the time requirements for giving notice of nonpayment, proposed changes to the model forms, and other technical and clarifying modifications to the regulation and its commentary. In addition, the Board also proposed revisions to the deposit deadlines for the Federal Reserve notice of nonpayment service that would take effect if the time requirements for notice of nonpayment were to be shortened (Docket Number R-0680).

Following review of the comments, the Board determined that, on balance, the operational difficulties associated with shortening the time for notice of nonpayment outweigh the risks resulting from the current requirement. Therefore, the Board did not amend the notice of nonpayment provision, nor did it adopt the modified Federal Reserve notice of nonpayment service. The Board did adopt model form changes and other technical and clarifying amendments (55 FR 21848, May 30, 1990). Adoption of the amendments should not result in any significant economic impact on a substantial number of small entities.

TIMETABLE:	ACTION	DATE	FR CITE
	Board requested comment	12/15/89	54 FR 51405
	Final amendments published	05/30/90	55 FR 21848

EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES: None

AGENCY CONTACT:

Stephanie Martin
Attorney
Legal Division
202 452-3198

RIN: 7100-AB01

NOTICE

At - cir - No. 1039d(A)

BOARD OF GOVERNORS' SEMIANNUAL REGULATORY FLEXIBILITY AGENDA

October 1, 1990 — April 1, 1991

The Semiannual Regulatory Flexibility 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.

A copy of the Agenda was mailed to those on our mailing list who have previously requested it. Copies will be mailed to others upon request (Tel. No. 212-720-5215 or 5216); single copies of the Agenda or any regulation or regulatory amendment can be obtained at this Bank (33 Liberty Street), in the Issues Division area on the first floor.

Circulars Division
FEDERAL RESERVE BANK OF NEW YORK
October 1990