FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. **10450**
April 18, 1991]

REVISION OF REGULATION P

Minimum Security Devices and Procedures For Federal Reserve Banks and State Member Banks

To All Depository Institutions in the Second Federal Reserve District, and Others Concerned:

The following statement has been issued by the Board of Governors of the Federal Reserve System:

> The Federal Reserve Board has announced revisions to Regulation P (Minimum Security Devices and Procedures for Federal Reserve Banks and State Member Banks).
>
> The revisions become effective May 1, 1991.
>
> The revisions update provisions adopted in 1969, simplify and clarify existing areas of flexibility, eliminate many obsolete or technical requirements particularly those in Appendix A, and delete references to required reports following elimination of reporting requirements in this area by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989.
>
> The revisions do not otherwise substantively change the regulation, which is already relatively brief and flexible, and add no new regulatory burden.

Enclosed — for depository institutions and others maintaining sets of Board regulations — is the text of the revised Regulation, which has been reprinted from the *Federal Register* of March 29; additional, single copies may be obtained at the Bank (33 Liberty Street) from the Issues Division on the first floor, or by calling the Circulars Division (Tel. No. 212-720-5215 or 5216). Questions on this matter may be directed to our Specialized Examinations Department (Tel. No. 212-720-7946).

E. GERALD CORRIGAN,
President.

federal register

Friday
March 29, 1991
Vol. 56, No. 61
Pp. 13069-13071

Regulation P; Docket No.R-0688

[Enc. Cir. No. 10450]

FEDERAL RESERVE SYSTEM

12 CFR Part 216

[Regulation P; Docket No. R-0688]

Security Devices and Procedures

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final rule.

SUMMARY: The Board of Governors of the Federal Reserve System ("Board"), in coordination with the other federal bank supervisory agencies, has reviewed Regulation P—Security Devices and Procedures—and determined that it is appropriate to revise the regulation to reflect changes in the technology of security devices, and to implement changes made by the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA"). The proposed revision was published for comment by the Board in April 1990. (55 FR 12850, April 6, 1990). The revision incorporates amendments made to the Bank Protection Act of 1968 by FIRREA and provides banks with the flexibility to avoid the technical obsolescence that occurred with the existing regulation.

DATES: This regulation is effective May 1, 1991; however, renewal of the recordkeeping requirement FR 4004 and discontinuance of the FR 4003 and FR 4005 reports, is effective March 31, 1991.

FOR FURTHER INFORMATION CONTACT: Elaine M. Boutilier, Senior Attorney (202/452–2418), Legal Division, or Thomas A. Durkin, Regulatory Planning and Review Director (202/452–2326), Office of the Secretary, Board of Governors of the Federal Reserve System, Washington, DC 20551. For the hearing impaired only, Telecommunication Device for the Deaf ("TDD"), Dorothea Thompson (202/452–3544).

SUPPLEMENTARY INFORMATION: The Bank Protection Act of 1968 requires the Federal financial institution supervisory agencies to establish minimum standards for bank security devices and procedures to discourage bank crime and to assist in the identification of persons who commit such crimes. 12 U.S.C. 1882. To implement this statute a uniform regulation was adopted in 1969 by each of the supervisory agencies—Comptroller of the Currency, Federal Deposit Insurance Corporation, Federal Home Loan Bank Board (now known as the Office of Thrift Supervision), and the Board. With the exception of minor changes in 1973 and 1981, this regulation has not been modified since it was first adopted. The Board, along with the other federal financial institution supervisory agencies, requested comments on a proposed revision of this regulation last year. (55 FR 12850, April 6, 1990).

The Board received a total of 43 comments on the proposed changes to Regulation P. Twenty-nine of these comments were received from banks; five were received from manufacturers of security equipment; six were received from associations connected with banks (*e.g.*, trade associations); and three were received from Reserve Banks. The overall response to the changes was supportive: 32 of the comments expressed support for the revisions, while only 11 comments were not supportive. Four of the five equipment manufacturers opposed the changes, but twenty-five of the twenty-nine commenting banks were generally supportive. The primary objection of those opposing the changes was that the revised standards were too vague; in particular, some commenters opposed deletion of appendix A and appendix B. One of the trade associations opposed the deletion of these appendices because, in its view, small institutions have security officers that depend on these appendices for guidance.

Appendix A set forth specifications for security devices to be used in banks. The Board is deleting this appendix because it is too specific and has become obsolete. The Board believes that any standards that continue to reference specific security devices are also likely to become obsolete because technology is continuing to advance at a rapid pace. To avoid the necessity of constantly updating required security devices, the revised regulation requires each bank to designate a security officer to administer a written security program, which would require, at a minimum, that four specific security devices be installed, but leaves it to the discretion of the security officer to determine which additional security devices will best meet the needs of the program. In this way the security officer can choose the most up-to-date equipment that meets the requirements of his particular bank. Some commenters recommended referring to Underwriters Laboratory ("UL") approval or ANSI specifications as a substitute for appendix A. Because the level of risk varies from institution to institution, the Board does not believe it is appropriate to specify particular features of security devices as mandatory. Nevertheless, security officers would be expected to identify the level of risk to their institution and adopt an appropriate security program, taking into consideration applicable ANSI and UL standards.

Appendix B concerned proper employee conduct after a robbery. Although this appendix has been eliminated, the Board believes that training of employees should be included in a bank's security program and notes that several organizations offer training programs for bank employees and security officers.

Some letters that were generally supportive of the revision commented that the regulation was too narrow and should cover "white-collar crime" as well. Regulation P is promulgated in response to the Bank Protection Act, which is specifically intended to "discourage robberies, burglaries, and larcenies." While the Board agrees that white-collar crimes such as fraud and embezzlement are problems, these crimes are covered by other laws outside the scope of Regulation P.

The revised regulation establishes a minimum standard by requiring four specified security devices: A secure space for cash; a lighting system for illuminating the vault; an alarm system; and tamper resistant locks on exterior doors and windows. In addition, the proposed regulation establishes the contents of a security program, *e.q.*, procedures for opening and closing for business, for safekeeping of valuables, and for identifying persons committing crimes. These are the minimum procedures that should comprise a bank's security program. To assist banks in establishing their program, the regulation suggests certain factors to be considered when selecting additional security devices. In making these suggestions, the Board notes that in the 22 years since passage of the Bank Protection Act, trade associations and other vendors have produced security manuals and information designed for banks of various sizes.

To ensure that a bank's security program is reviewed on a regular basis for effectiveness, the regulation requires a report to be made by the security officer to the bank's board of directors at least annually. This changes the previous requirement, which was eliminated by FIRREA, that reports must be filed periodically with a bank's primary supervisory agency. Nevertheless, the annual reports to the board of directors should still contain information such as the status of employee training, the number of offenses against the bank, and the success of prosecution for such offenses.

When requesting comments on the proposed amendments to Regulation P, the Board also proposed elimination of three reports relating to recordkeeping and reporting requirements of the regulation: FR 4003 (Statement Regarding Security Devices That Do Not Meet the Minimum Requirements of Regulation P), FR 4004 (Written Security Program for State Member Banks as Required by Regulation P), and FR 4005 (Annual Statement of Compliance with the Bank Protection Act of 1968). Only two comments were received on this issue, and both supported the elimination of the reports. Because the revised regulation still requires a written security program, however, the Board has decided to discontinue only two of these reports—the FR 4003 and FR 4005 reports—effective on March 31, 1991. The FR 4004 report, a recordkeeping requirement, has not been discontinued, because banks are still required to maintain a written security program.[1] In accordance with section 3507 of the Paperwork Reduction Act of 1980, (44 U.S.C. 3507, and 5 CFR 1320.13), the discontinuance of the FR 4003 and FR 4005 reports has been reviewed and approved by the Board under Office of Management and Budget delegated authority after consideration of the comments received during the public comment period.

Renewal of FR 4004 is approved by the Board under delegated authority (5 CFR 1320.9) to be effective on March 31, 1991, which is less than 30 days from publication of this ruling. The Board finds good cause for an effective date less than 30 days from publication because the authority for the recordkeeping requirement expires on March 31, 1991, and a period of time without it would be disruptive to the institutions required to maintain such records. Furthermore, this is a continuation of an existing recordkeeping requirement, so an effective date with less than 30 days prior notice has no harmful effect on the institutions involved.

Regulatory Flexibility Act Analysis

Pursuant to section 605(b) of the Regulatory Flexibility Act (Pub. L. No. 96–354, 5 U.S.C. 601 *et seq.*), the Board certifies that this final rule will not have a significant economic impact on a substantial number of small entities. Small entities already were complying with the security standards established in the prior regulation, and this revision provides for more flexibility in devising security programs, which should help minimize the existing costs to the institutions. The amendment also deletes two of the three reports required by the government, which should ease the regulatory burden on small institutions.

List of Subjects in 12 CFR Part 216

Banks, Banking, Federal Reserve System, Reporting and recordkeeping requirements, Security measures, State member banks.

For the reasons set out in the preamble, title 12, part 216 of the Code of Federal Regulations is revised as follows:

PART 216—SECURITY PROCEDURES

Sec.
216.1 Authority, purpose, and scope.
216.2 Designation of security officer.
216.3 Security program.
216.4 Report.
216.5 Federal Reserve Banks.

Authority: 12 U.S.C. 1881–1884.

§ 216.1 Authority, purpose, and scope.

(a) This regulation is issued by the Board of Governors of the Federal Reserve System (the "Board") pursuant to section 3 of the Bank Protection Act of 1968 (12 U.S.C. 1882). It applies to Federal Reserve Banks and state banks that are members of the Federal Reserve System. It requires each bank to adopt appropriate security procedures to discourage robberies, burglaries, and larcenies, and to assist in the identification and prosecution of persons who commit such acts.

(b) It is the responsibility of the member bank's board of directors to comply with this regulation and ensure that a written security program for the bank's main office and branches is developed and implemented.

§ 216.2 Designation of security officer.

Upon becoming a member of the Federal Reserve System, a state bank's board of directors shall designate a security officer who shall have the authority, subject to the approval of the board of directors to develop, within a reasonable time, but no later than 180 days, and to administer a written security program for each banking office.

§ 216.3 Security program.

(a) *Contents of security program.* The security program shall:

(1) Establish procedures for opening and closing for business and for the safekeeping of all currency, negotiable securities, and similar valuables at all times;

(2) Establish procedures that will assist in identifying persons committing crimes against the institution and that will preserve evidence that may aid in their identification and prosecution. Such procedures may include, but are not limited to:

(i) Maintaining a camera that records activity in the banking office;

(ii) Using identification devices, such as prerecorded serial-numbered bills, or chemical and electronic devices; and

(iii) Retaining a record of any robbery, burglary, or larceny committeed against the bank;

(3) Provide for initial and periodic training of officers and employees in their responsibilities under the security program and in proper employee conduct during and after a burglary, robbery, or larceny; and

(4) Provide for selecting, testing, operating, and maintaining appropriate security devices, as specified in paragraph (b) of this section.

(b) *Security devices.* Each member bank shall have, at a minimum, the following security devices:

(1) A means of protecting cash and other liquid assets, such as a vault, safe, or other secure space;

(2) A lighting system for illuminating, during the hours of darkness, the area around the vault, if the vault is visible from outside the banking office;

(3) Tamper-resistent locks on exterior doors and exterior windows that may be opened;

(4) An alarm system or other appropriate device for promptly notifying the nearest responsible law enforcement officers of an attempted or perpetrated robbery or burglary; and

(5) Such other devices as the security officer determines to be appropriate, taking into consideration:

(i) The incidence of crimes against financial institutions in the area;

(ii) The amount of currency and other valuables exposed to robbery, burglary, or larcency;

[1] For purposes of the Paperwork Reduction Act, the recordkeeping requirement of this regulation for establishment of written security programs is described as follows: (1) *Report title:* Written Security Program for State Member Banks; (2) *Agency report number:* FR 4004; (3) *OMB Docket number:* 7100–0112; (4) *Frequency:* recordkeeping; (5) *Reporters:* State member banks; (6) *Annual reporting hours:* 513; (7) *Estimated average hours per response:* 0.5 per year; (8) *Number of respondents:* 1025. The information collection is mandatory (12 U.S.C. 1882(b)).

(iii) The distance of the banking office from the nearest responsible law enforcement officers;'

(iv) The cost of the security devices;

(v) Other security measures in effect at the banking office; and

(vi) The physical characteristics of the structure of the banking office and its surroundings.

§ 216.4 Report.

The security officer for each member bank shall report at least annually to the bank's board of directors on the implementation, administration, and effectiveness of the security program.

§ 216.5 Federal Reserve Banks.

Each Reserve Bank shall develop and maintain a written security program for its main office and branches subject to review and approval of the Board.

By order of the Board of Governors of the Federal Reserve System, March 22, 1991.

Jennifer J. Johnson,

Associate Secretary of the Board.

[FR Doc. 91-7320 Filed 3-28-91; 8:45 am]

BILLING CODE 6210-01-M