

AT. 10806(a)

# FEDERAL RESERVE SYSTEM

## Semiannual Regulatory Flexibility Agenda October 1, 1995 - April 1, 1996

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### 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 1995

September 15, 1995

FEDERAL RESERVE SYSTEM

12 CFR Chap. 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 October 1, 1995 through April 1, 1996. The next Semiannual Agenda will be published in April 1996.

DATES: Comments about the form or content of the Agenda may be submitted any time during the next six months.

ADDRESSES: Comments should be addressed to William W. Wiles, Secretary of the Board, Board of Governors of the Federal Reserve System, Washington, DC 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 1995 Agenda as part of the October 1995 Unified Agenda of Federal Regulations, which is coordinated by the Office of Management and Budget under Executive Order 12866. 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. Matters begun and completed between issues of the Agenda have not been included.

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

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Barbara R. Lowrey,  
Associate Secretary of the Board.

Section 1  
Proposed Rule Stage

1.

**TITLE:**

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

**LEGAL AUTHORITY:**

42 USC 4001 et seq

**CFR CITATION:**

12 CFR 208

**ABSTRACT:**

The National Flood Insurance Reform Act of 1994 (Title V of the Riegle Community Development and Regulatory Improvement Act of 1994) includes a number of amendments to the Flood Disaster Protection Act of 1973. The amendments are intended to improve compliance with existing flood insurance purchase requirements, including provisions concerning forced placement of policies, escrowing of insurance premiums, standard determination forms, notification requirements, penalties of noncompliance, and compliance examination requirements. All state member banks, including small institutions, will be subject to the amended provisions.

Under the statute, the federal banking agencies are to consult and coordinate on the development of implementing regulations through the Federal Financial Institutions Examination Council. The Board, in conjunction with the other banking agencies, adopted a final rule in July 1995 requiring use of the standard determination form developed by the Federal Emergency Management Agency (60 FR 35286, July 6, 1995; Docket Number: R-0882). Within the next two months it is expected that the Board will approve requesting public comment on a proposed rule developed jointly by the banking agencies to implement the provisions of the statute concerning flood insurance purchase, escrow of flood insurance premiums, and notification requirements.

<b>TIMETABLE:</b>	<b>ACTION</b>	<b>DATE</b>	<b>FR CITE</b>
	Board may consider amendments to Regulation H by	10/00/95	

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

**AGENCY CONTACT:**

Lawranne Stewart  
Senior Attorney  
Legal Division  
202 452-3513

**RIN:** 7100-AB86

2.

**TITLE:**

Regulation: H -- Membership of State Banking Institutions in the Federal Reserve System; and Regulation: Y -- Bank Holding Companies and Change in Bank Control

**LEGAL AUTHORITY:**

12 USC 1831m

**CFR CITATION:**

12 CFR 208

12 CFR 225

**ABSTRACT:**

During 1992, the Board's staff consulted with the other federal banking agencies regarding the implementation of section 112, the bank auditing requirements, of the Federal Deposit Insurance Corporation Improvement Act of 1991. The section includes requirements for insured commercial banks to receive audits of their annual reports by independent public accountants, requirements for banks and their auditors to report certain information to the Board, and requirements for independent audit committees for banks. In some cases, these requirements can be satisfied by comparable arrangements at the bank holding company level. The Act generally exempts insured depository institutions from these requirements when their total assets are less than \$150 million, unless a higher threshold is chosen by the Federal Deposit Insurance Corporation (FDIC).

The FDIC, the agency with primary responsibility for implementing this mandate through regulations, finalized its regulation in May 1993, which applied to all FDIC-insured banks and thrifts. The FDIC's regulation applied these requirements to depository institutions with total assets of \$500 million or more. The FDIC, as well as the Board, issued implementing examiner guidelines in October 1993 and January 1994, respectively.

The Board has joint rulemaking authority with the other banking agencies regarding the enforcement provisions of section 112. It is expected that the Board and the other agencies will develop a notice of proposed rulemaking for public comment by year-end.

<b>TIMETABLE:</b>	<b>ACTION</b>	<b>DATE</b>	<b>FR CITE</b>
	Board may consider amendments to Regulations H and Y by	12/00/95	

**EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES:** None

**AGENCY CONTACT:**

Gerald A. Edwards, Jr.  
Assistant Director  
Division of Banking Supervision and Regulation  
202 452-2741

**RIN:** 7100-AB39

3.

**TITLE:**

Regulation: H -- Membership of State Banking Institutions in the Federal Reserve System; and Regulation: Y -- Bank Holding Companies and Change in Bank Control

**LEGAL AUTHORITY:**

12 USC 1831n  
12 USC 1833d

**CFR CITATION:**

12 CFR 208  
12 CFR 225

**ABSTRACT:**

During 1992 and 1993, the Board's staff consulted with the other federal banking agencies regarding the implementation of section 121, the bank accounting requirements, of the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA). These requirements include the implementation of disclosures of the fair market value of assets, liabilities, and certain projects, which may result in the revision of reporting requirements for banks and bank holding companies. The accounting provisions of the Act do not include exemptions for small institutions. Thus, any changes to regulations and reporting requirements would likely affect smaller state member banks.

The Federal Financial Institutions Examination Council (FFIEC) requested public comment on proposed reporting requirements, and the comment period expired on June 14, 1993. Furthermore, the FFIEC proposed on March 9, 1994, new Call Report items for derivative instruments, including new information on their market values. The comment period for this proposal expired on May 9, 1994, and the FFIEC included new information about market values of derivative instruments in its Call Report requirements for March 1995. Market value information about on- and off-balance-sheet financial instruments is also reported in banks' annual financial statements filed with the Board and the other federal banking agencies pursuant to FDICIA section 112. Following final action by the FFIEC, the Board may consider requesting public comment by year-end on changes to its regulations in order to implement certain aspects of section 121.

<b>TIMETABLE:</b>	<b>ACTION</b>	<b>DATE</b>	<b>FR CITE</b>
	Board may consider amendments to Regulations H and Y by	12/00/95	

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

**AGENCY CONTACT:**

Gerald A. Edwards, Jr.  
Assistant Director  
Division of Banking Supervision and Regulation  
202 452-2741

**RIN:** 7100-AB41

4.

**TITLE:**

Regulation: H -- Membership of State Banking Institutions in the Federal Reserve System; and Regulation: Y -- Bank Holding Companies and Change in Bank Control (Docket Number: R-0835)

**LEGAL AUTHORITY:**

12 USC 36  
12 USC 248(a)  
12 USC 248(c)  
12 USC 321-338  
12 USC 371d  
12 USC 461  
12 USC 481-486  
12 USC 601  
12 USC 611  
12 USC 1814  
12 USC 1817(j)(13)  
12 USC 1818  
12 USC 1823(j)  
12 USC 1828(o)  
12 USC 1831o

**CFR CITATION:**

12 CFR 208, app A  
12 CFR 225, app A

**ABSTRACT:**

In May 1994, the Board issued for public comment two proposals on the capital treatment of recourse arrangements and direct credit substitutes. The first proposal (1) formally defines recourse and direct credit substitutes, (2) reduces the risk-based capital charge for low-level recourse arrangements to the maximum amount of possible loss under the recourse obligation up to the effective capital charge, and (3) requires the same risk-based capital charge for first loss direct credit substitutes as is currently applied to recourse transactions (59 FR 27115, May 25, 1994).

Subsequent to the issuance of this proposal, the Congress mandated, under section 350 of the Riegle Community Development and Regulatory Improvement Act of 1994, that the Board issue regulations limiting, as of March 22, 1995, the amount of risk-based capital an insured depository institution is required to hold for assets transferred with recourse to the maximum amount of recourse for which the institution is contractually liable. The portion of the Board's proposal dealing with low-level recourse transactions satisfies the minimum requirements of section 350, and, accordingly, in February 1995, the Board adopted that portion of the proposal (60 FR 8177, February 13, 1995).

The second proposal, an advance notice of proposed rulemaking, sought public comment on an approach to assessing risk-based capital on banking organizations' risk exposures associated with certain asset securitizations. Under this approach, the capital charge would be based upon the relative risk of loss. The Board will continue to consider the advanced notice of proposed rulemaking, as well as the outstanding issues addressed in the



**TITLE:**

Regulation: H -- Membership of State Banking Institutions in the Federal Reserve System; and Regulation: Y -- Bank Holding Companies and Change in Bank Control (Docket Number: R-0835)

**ABSTRACT CONT:**

first proposal and is expected to take further action within the next five months. Small entities would be affected by the final rule and the two proposals only to the extent that they engage in extending recourse arrangements or direct credit substitutes; it is not expected that the proposals will have a significant economic impact.

<b>TIMETABLE:</b>	<b>ACTION</b>	<b>DATE</b>	<b>FR CITE</b>
	Board requested comment	05/25/94	59 FR 27115
	Board adopted one aspect of the proposal	02/13/95	60 FR 8177
	Further Board action within the next five months	01/00/96	

**EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES:** None

**AGENCY CONTACT:**

Thomas R. Boemio  
Supervisory Financial Analyst  
Division of Banking Supervision and Regulation  
202 452-2982

**RIN:** 7100-AB77

5.

**TITLE:**

Regulation: H -- Membership of State Banking Institutions in the Federal Reserve System; and Regulation: Y -- Bank Holding Companies and Change in Bank Control

**LEGAL AUTHORITY:**

12 USC 36  
12 USC 321  
12 USC 1828  
12 USC 1831u  
12 USC 1842

**CFR CITATION:**

12 CFR 208  
12 CFR 225

**ABSTRACT:**

Sections 101, 102, and 103 of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 establish conditions under which bank holding companies and national banks will be permitted to engage in interstate banking and branching through acquisitions, mergers, and establishment of de novo branches. Under section 9 of the Federal Reserve Act, the limitations and conditions on branching by national banks also are applicable to state member banks. Section 101 of the Riegle-Neal Act also permits a bank to receive deposits and provide certain other services as agent for any affiliated depository institution without the bank being considered to be a branch of the affiliated depository institution. The Board is considering whether it is necessary to amend its Regulations H and Y to reflect the statutory changes. The statutory changes reduce restrictions currently applicable to bank holding companies and state member banks of all sizes, including small institutions, and will not significantly increase regulatory burden on small banks.

<b>TIMETABLE:</b>	<b>ACTION</b>	<b>DATE</b>	<b>FR CITE</b>
	Board is expected to act on a proposed rule by	04/00/96	

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

**AGENCY CONTACT:**

Lawranne Stewart  
Senior Attorney  
Legal Division  
202 452-3513

**RIN:** 7100-AB87

6.

**TITLE:**

Regulation: K -- International Banking Operations

**LEGAL AUTHORITY:**

12 USC 3105(k)

**CFR CITATION:**

12 CFR 211

**ABSTRACT:**

By year-end, the Board will consider issuing for public comment a proposed amendment to Regulation K to implement the provision of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 that amended the International Banking Act of 1978 by adding a new subsection regarding the management of shell branches. The relevant subsection prohibits foreign banks from using their U.S. branches or agencies to manage types of activities through offshore shell branches that could not be managed by a U.S. bank at its foreign branches or subsidiaries. It is not anticipated that the proposal will have a significant economic impact on a substantial number of small entities subject to the Board's regulation.

<b>TIMETABLE:</b>	<b>ACTION</b>	<b>DATE</b>	<b>FR CITE</b>
	Board will consider proposal by	12/00/95	

**EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES:** None

**AGENCY CONTACT:**

Janet Crossen  
Senior Attorney  
Legal Division  
202 452-3281

**RIN:** 7100-AB88

7.

**TITLE:**

Regulation: K -- International Banking Operations

**LEGAL AUTHORITY:**

12 USC 1841 et seq  
12 USC 3101 et seq

**CFR CITATION:**

12 CFR 211

**ABSTRACT:**

The Riegle-Neal Interstate Banking and Branching Act of 1994 contains provisions affecting foreign banks with U.S. operations, including, among other matters, interstate banking and branching and the selection of home states by foreign banks. Within the next two months, the Board is expected to consider issuing for public comment amendments to Regulation K to implement the statutory changes with respect to interstate expansion by bank merger. It is not expected that any rulemaking will have a significant economic impact on a substantial number of small banks.

<b>TIMETABLE:</b>	<b>ACTION</b>	<b>DATE</b>	<b>FR CITE</b>
	The Board is expected to consider amendments to Regulation K by	10/00/95	

**EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES:** None

**AGENCY CONTACT:**

Douglas M. Ely  
Senior Attorney  
Legal Division  
202 452-5289

**RIN:** 7100-AB89

8.

**TITLE:**

Regulation: L -- Management Official Interlocks

**LEGAL AUTHORITY:**

PL 103-325

**CFR CITATION:**

12 CFR 212

**ABSTRACT:**

Regulation L implements provisions of the Depository Institutions Management Interlocks Act (DIMIA), which regulates management interlocks among depository institutions. Section 338 of the Riegle Community Development and Regulatory Improvement Act of 1994 amended certain sections of DIMIA. Specifically, section 338 extends the grandfather provision allowing prohibited management interlocks that began prior to November 10, 1978, to continue until November 1998. The section requires that the regulatory agencies review all grandfathered interlocks to determine whether the interlock meets the criteria set forth in section 338 to qualify for an extension. Section 338 also amended DIMIA with respect to the regulatory agencies' authority to create exemptions to DIMIA through general regulation. The section sets forth criteria that the regulatory agencies must consider before exempting an interlock on a case-by-case basis. However, current legislation pending before the Congress would reverse these changes.

Depending on the outcome of the currently pending legislation, the Board, with the other regulatory agencies, will issue an appropriate proposal for public comment by year-end. It is not anticipated that any proposal would have a significant impact on a substantial number of small institutions.

<b>TIMETABLE:</b>	<b>ACTION</b>	<b>DATE</b>	<b>FR CITE</b>
	Board action expected by	12/00/95	

**EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES:** None

**AGENCY CONTACT:**

Tina Woo  
Staff Attorney  
Legal Division  
202 452-3890

**RIN:** 7100-AB90

9.

**TITLE:**

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 78h Securities Exchange Act of 1934, as amended

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

**CFR CITATION:**

12 CFR 221

**ABSTRACT:**

The Board is conducting a periodic review of Regulation U, which generally regulates bank extensions of credit that are secured by publicly traded stock. The review will consider whether any provisions of the regulation are in need of updating and whether any substantive changes are necessary because of developments in the banking and securities markets.

It is expected that amendments will be proposed for public comment before the end of 1995. It is not anticipated that the revisions will have a significant economic impact on the overall lending activities of a substantial number of small banks.

<b>TIMETABLE:</b>	<b>ACTION</b>	<b>DATE</b>	<b>FR CITE</b>
	Board may propose amendments to Regulation U and request comment by	12/00/95	

**EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES:** None

**AGENCY CONTACT:**

Laura Homer

Assistant Director

Division of Banking Supervision and Regulation

202 452-2781

**RIN:** 7100-AB65

Section 2  
Final Rule Stage

10.

**TITLE:**

Regulation: B -- Equal Credit Opportunity (Docket Number: R-0876)

**LEGAL AUTHORITY:**

15 USC 1691

**CFR CITATION:**

12 CFR 202

**ABSTRACT:**

In April 1995, the Board issued for public comment a proposed amendment to Regulation B to eliminate the general prohibition on collecting data relating to an applicant's race, color, sex, religion, and national origin, giving creditors the option to ask applicants to provide the information on a voluntary basis (60 FR 20436, April 26, 1995). This amendment would allow data collection only; creditors still would be prohibited from considering an applicant's race, color, sex, religion, and national origin in their credit decisions.

Compliance with the proposed amendment is voluntary and would not be expected to have a significant economic impact on small institutions. Following review of the public comments, the Board is expected to take further action within the next two months.

<b>TIMETABLE:</b>	<b>ACTION</b>	<b>DATE</b>	<b>FR CITE</b>
	Board requested comment	04/26/95	60 FR 20436
	Further Board action by	10/00/95	

**EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES:** None

**AGENCY CONTACT:**

Sheilah Goodman  
Staff Attorney  
Division of Consumer and Community Affairs  
202 452-3667



11.

**TITLE:**

Regulation: E -- Electronic Fund Transfers (Docket Number:  
R-0830)

**LEGAL AUTHORITY:**

15 USC 1693b

**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 is part of the Board's Regulatory Planning and Review Program, which provides for the periodic review of Board regulations to determine whether a regulation should be eliminated, simplified, updated, or otherwise revised.

In February 1994, the Board approved issuing for public comment a revised Regulation E that includes, among other things, simplified language and format (59 FR 10684, March 7, 1994). As part of the proposal, the scope of several exemptions would be expanded. A small institution exemption would apply to institutions with assets under \$100,000; currently the exemption applies to institutions with assets under \$25,000. Also under the proposal, the staff commentary to Regulation E would be significantly improved to facilitate compliance. As a whole, the proposed changes to Regulation E would likely reduce regulatory burden within the limits of a very specific statute, without sacrificing consumer benefits. The proposals are not expected to have a significant economic impact on small institutions. Following review of the public comments, the Board is expected to take further action by year-end.

<b>TIMETABLE:</b>	<b>ACTION</b>	<b>DATE</b>	<b>FR CITE</b>
	Board approved requesting comment	03/07/94	59 FR 10684
	Further Board action by	12/00/95	

**EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES:** None

**AGENCY CONTACT:**

Adrienne D. Hurt  
Managing Counsel - Financial Services Section  
Division of Consumer and Community Affairs  
202 452-2412

**RIN:** 7100-AA77

12.

**TITLE:**

Regulation: H -- Membership of State Banking Institutions in the Federal Reserve System; Regulation: K -- International Banking Operations; and Regulation: Y -- Bank Holding Companies and Change in Bank Control (Docket Number: R-0885)

**LEGAL AUTHORITY:**

12 USC 36  
12 USC 248(a)  
12 USC 248(c)  
12 USC 321-338a  
12 USC 371d  
12 USC 461  
12 USC 481-486  
12 USC 601  
12 USC 611  
12 USC 1814  
12 USC 1823(j)  
12 USC 1828(o)  
12 USC 1831o  
12 USC 1831p-1  
12 USC 3105

**CFR CITATION:**

12 CFR 208.20  
12 CFR 211.8  
12 CFR 211.24(f)  
12 CFR 225.4(g)

**ABSTRACT:**

In July 1995, the Board approved issuing for public comment proposed revisions to its regulations on reporting of suspicious activities by the domestic and foreign banking organizations supervised by the Federal Reserve, including the reporting of suspicious financial transactions such as suspected violations of the Bank Secrecy Act (60 FR 34481, July 3, 1995). The rules implement a new interagency suspicious activity referral process. The rules also reduce substantially the burden on banking organizations (including small institutions) in reporting suspicious activities while enhancing access to such information by the Federal law enforcement agencies, the Federal financial institutions supervisory agencies and the Department of the Treasury. It is not anticipated that the proposal will have a significant adverse economic impact on small institutions. Following review of the public comments, the Board is expected to take further action within the next month in coordination with the other federal financial institutions supervisory agencies.

**TIMETABLE:**

<b>ACTION</b>	<b>DATE</b>	<b>FR CITE</b>
Board approved request for comment	07/03/95	60 FR 34481
Further Board action by	10/00/95	

**TITLE:**

Regulation: H -- Membership of State Banking Institutions in the Federal Reserve System; Regulation: K -- International Banking Operations; and Regulation: Y -- Bank Holding Companies and Change in Bank Control (Docket Number: R-0885)

**EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES:** None

**AGENCY CONTACT:**

Herbert A. Biern  
Deputy Associate Director  
Division of Banking Supervision and Regulation  
202 452-2620

13.

**TITLE:**

Regulation: H -- Membership of State Banking Institutions in the Federal Reserve System; and Regulation: Y -- Bank Holding Companies and Change in Bank Control (Docket Number: R-0849)

**LEGAL AUTHORITY:**

12 USC 36  
12 USC 248(a),  
12 USC 248(c)  
12 USC 321-338a  
12 USC 371d  
12 USC 461  
12 USC 481-486  
12 USC 601  
12 USC 611  
12 USC 1814  
12 USC 1817(j) (13)  
12 USC 1818  
12 USC 1823(j)  
12 USC 1828(o)  
12 USC 1831i

**CFR CITATION:**

12 CFR 208, app A  
12 CFR 208, app B  
12 CFR 225, app A

**ABSTRACT:**

In October 1994, the Board, in conjunction with the Office of the Comptroller of the Currency, issued for public comment a proposal that would amend its risk-based capital guidelines for state member banks and bank holding companies by modifying the criteria used to define the Organization for Economic Cooperation and Development (OECD)-based group of countries (59 FR 52100, October 14, 1994). Under the guidelines, claims on the OECD-based group of countries are eligible for lower risk weight treatment. The OECD-based group of countries would continue to be defined as countries that are full members of the OECD (or that have concluded special lending arrangements with the International Monetary Fund (IMF) associated with the IMF's General Arrangement to Borrow) but would exclude any country within this group that has rescheduled its external sovereign debt within the previous five years. The proposed amendment is based on a recent announcement by the Basle Supervisors' Committee that it intends to revise the Basle Accord definition of the OECD-based group of countries. The proposed revision 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 two months.

**TIMETABLE:**

ACTION	DATE	FR CITE
Board requested comment	10/14/94	59 FR 52100
Further Board action by	10/00/95	

**TITLE:**

Regulation: H -- Membership of State Banking Institutions in the Federal Reserve System; and Regulation: Y -- Bank Holding Companies and Change in Bank Control (Docket Number: R-0849)

**EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES:** None

**AGENCY CONTACT:**

Robert Motyka  
Supervisory Financial Analyst  
Division of Banking Supervision and Regulation  
202 452-3621

**RIN:** 7100-AB92

14.

**TITLE:**

Regulation: H -- Membership of State Banking Institutions in the Federal Reserve System; Regulation: Y -- Bank Holding Companies and Change in Bank Control (Docket Numbers: R-0884 and R-0886)

**LEGAL AUTHORITY:**

12 USC 36  
12 USC 248(a)  
12 USC 248(c)  
12 USC 321-338a  
12 USC 371d  
12 USC 461  
12 USC 481-486  
12 USC 601  
12 USC 611  
12 USC 1814  
12 USC 1823(j)  
12 USC 1828(o)  
12 USC 1831o  
12 USC 1831p-1  
12 USC 3105

**CFR CITATION:**

12 CFR Part 208  
12 CFR Part 225

**ABSTRACT:**

In July 1995, the Board published for comment proposed amendments to its risk-based capital guidelines for state member banks and bank holding companies (60 FR 38081, July 25, 1995; Docket No. R-0884). The proposed amendments would incorporate a measure for market risk in foreign exchange and commodity activities and in the trading of debt and equity instruments. Institutions would calculate market risk capital charges using either their own internal models or techniques developed by supervisors. The amendments are consistent with proposed international market risk standards and with similar standards being developed by the other federal bank regulatory agencies.

The Board also requested comment on an alternative "pre-commitment" approach for setting market risk capital requirements (60 FR 38142, July 25, 1995; Docket No. R-0886). Under this approach, an institution would specify the amount of capital it chose to allocate to support market risk over a specified period of time. The Board could provide incentives for institutions to allocate sufficient market risk capital by methods such as public disclosure of market risk capital levels or penalties when losses exceed allocated capital.

The market risk capital proposals would affect only institutions with relatively large trading activities, and therefore would have little or no effect on small entities. Following review of the public comments, the Board is expected to take further action by year-end.

**TITLE:**

Regulation: H -- Membership of State Banking Institutions in the Federal Reserve System; and Regulation: Y -- Bank Holding Companies and Change in Bank Control (Docket Numbers: R-0884 and R-0886)

**TIMETABLE:**

<b>ACTION</b>	<b>DATE</b>	<b>FR CITE</b>
Board requested comment on R-0884	07/25/95	60 FR 38081
Board requested comment on R-0886	07/25/95	60 FR 38142
Further Board action by	12/00/95	

**EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES:** None

**AGENCY CONTACT:**

James Houpt  
Assistant Director  
Division of Banking Supervision and Regulation  
202 452-3358

15.

**TITLE:**

Regulation: K -- International Banking Operations (Docket Number: R-0754)

**LEGAL AUTHORITY:**

12 USC 3105  
12 USC 3108

**CFR CITATION:**

12 CFR 211

**ABSTRACT:**

In January 1993, following review of the public comments, the Board issued a final rule implementing sections 202-204 and 206 of Title II of the Federal Deposit Insurance Corporation Improvement Act of 1991, which, among other things, require prior approval of the Board for the establishment of branches, agencies, commercial lending companies, and representative offices by foreign banks in the United States (58 FR 6348, January 28, 1993). It is not expected that the final rule will have a significant economic impact on small institutions. The Board also requested additional public comment on those portions of the final rule that deal with representative offices of foreign banks. Comments were sought on the definition of representative office and on the standards that should govern the activities that a representative office may conduct. Following review of the public comments, the Board is expected to take further action by year-end 1995.

<b>TIMETABLE:</b>	<b>ACTION</b>	<b>DATE</b>	<b>FR CITE</b>
	Board issued an interim rule	04/15/92	57 FR 12992
	Board issued a final rule and request for comment	01/28/93	58 FR 6348
	Further Board action by	12/00/95	

**EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES:** None

**AGENCY CONTACT:**

Ann Misback  
Managing Senior Counsel  
Legal Division  
202 452-3788

**RIN:** 7100-AB31



16.

**TITLE:**

Regulation: K -- International Banking Operations (Docket Number: R-0862)

**LEGAL AUTHORITY:**

12 USC 3105

**CFR CITATION:**

12 CFR 211

**ABSTRACT:**

In December 1994, the Board issued for public comment proposed criteria to implement a portion of section 202(a) of the Federal Deposit Insurance Corporation Improvement Act of 1991 with respect to the criteria to be used in evaluating the operations of foreign banks that the Board has determined are not subject to comprehensive supervision or regulation on a consolidated basis (59 FR 64171, December 18, 1994). The proposed criteria would not have a significant economic impact on a substantial number of small entities subject to the Board's regulation. Following review of the public comments, the Board, in consultation with the Secretary of the Treasury, will consider a final rule.

**TIMETABLE:**

<b>ACTION</b>	<b>DATE</b>	<b>FR CITE</b>
Board requested comment	12/13/94	59 FR 64171
Further Board action by	10/00/95	

**EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES:** None

**AGENCY CONTACT:**

Sandy Richardson  
Managing Senior Counsel  
Legal Division  
202 452-6406

**RIN:** 7100-AB58

17.

**TITLE:** Regulation: K -- International Banking Operations (Docket Number: R-0896)

**LEGAL AUTHORITY:**

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

**CFR CITATION:**

12 CFR Part 211

**ABSTRACT:**

In September 1995, the Board issued for public comment proposed amendments to Regulation K to provide additional general consent authority for de novo investments in foreign companies by U.S. banking organizations that are strongly capitalized and well managed (Federal Register cite unavailable). This expanded general consent authority is designed to permit U.S. banking organizations meeting these requirements to make certain investments without the need for prior approval or review. In order to strike a reasonable balance between reduced regulatory burden and continued Board oversight, the amendments would impose aggregate limits on the total amount of general consent investments that may be made in the course of a year. In addition, certain investments or activities would not be eligible for the expanded authority. The proposed rule would require an investor making use of the expanded authority to provide the Board with a post-investment notice. In addition, for those investments requiring prior notice to the Board, the proposed rule would streamline the processing of such notices. The proposed rule is not expected to have a significant adverse economic impact on a substantial number of small entities. The proposed rule will affect only those U.S. banking organizations with foreign operations or that are engaged in foreign investment activities. The expanded general consent authority would be further limited only to such U.S. banking organizations that qualify under the strongly-capitalized and well-managed requirements. Following review of the public comments, the Board is expected to take further action by year-end.

<b>TIMETABLE:</b>	<b>ACTION</b>	<b>DATE</b>	<b>FR CITE</b>
	Board requested comment	09/19/95	
	Further Board action by	12/00/95	

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

**AGENCY CONTACT:**

Sandra L. Richardson  
Managing Senior Counsel  
Legal Division  
202 452-6406

18.

**TITLE:**

Regulation: L -- Management Official Interlocks (Docket Number:  
R-0825)

**LEGAL AUTHORITY:**

12 USC 3207

**CFR CITATION:**

12 CFR 212

**ABSTRACT:**

Regulation L implements provisions of the Depository Institution Management Interlock Act (DIMIA), which regulates management interlocks among depository institutions. Among DIMIA's prohibitions are provisions barring management interlocks between depository organizations with offices in the same community or metropolitan statistical area (MSA). In November 1993, the Board approved soliciting comment on an amendment to Regulation L that would permit interlocks otherwise prohibited under the community or MSA provisions if the institutions involved hold in the aggregate less than 20 percent of the deposits in the community or MSA (59 FR 7909, February 17, 1994). The amendment should benefit smaller organizations by giving them access to a larger pool of potential management officials. It is not expected that the proposal will have a significant adverse economic impact on a substantial number of depository institutions.

Current legislation pending before the Congress would make the proposed amendment statutory. Further Board action will be determined following any Congressional action on the proposal.

<b>TIMETABLE:</b>	<b>ACTION</b>	<b>DATE</b>	<b>FR CITE</b>
	Board requested comment	02/17/94	59 FR 7909
	Further Board action following Congressional action	Undetermined	

**EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES:** None

**AGENCY CONTACT:**

Thomas M. Corsi  
Senior Attorney  
Legal Division  
202 452-3275

**RIN:** 7100-AB72

19.

**TITLE:**

Regulation: M -- Consumer Leasing (Docket Number: R-0892)

**LEGAL AUTHORITY:**

15 USC 1604

**CFR CITATION:**

12 CFR 213

**ABSTRACT:**

The Board is undertaking a complete review of Regulation M, under the Board's Regulatory Planning and Review Program. The program calls for the periodic review of Board regulations to determine whether a regulation should be eliminated, simplified, updated or otherwise revised. To gather information needed for this review and to ensure the participation of interested parties at the beginning of the process, in November 1993, the Board approved issuing for public comment an advance notice of the proposed rulemaking, soliciting comment, generally, on revisions to the regulation, while also soliciting comment on specific issues dealing with early termination penalties, advertising, and segregation of disclosure terms from other information. In August 1995, following review of the comments, the Board approved the issuance of a proposed rule revising Regulation M (60 FR 48752, September 20, 1995). The Riegle Community Development and Regulatory Improvement Act amendment to the Consumer Leasing Act to allow an alternative disclosure scheme for radio advertisements is a part of the proposal. It is not anticipated that the proposed revisions will have a significant economic impact on a substantial number of small entities. Following review of the public comments, the Board is expected to take further action within the next six months.

<b>TIMETABLE:</b>	<b>ACTION</b>	<b>DATE</b>	<b>FR CITE</b>
	Board approved requesting comment	11/19/93	58 FR 61035
	Board approved issuance of the proposed rule	09/20/95	60 FR 48752
	Further Board action by	03/00/96	

**EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES:** None

**AGENCY CONTACT:**

Adrienne D. Hurt  
Managing Counsel - Financial Services Section  
Division of Consumer and Community Affairs  
202 452-2412

**RIN:** 7100-AB74

20.

**TITLE:**

Regulation: S -- Reimbursement for Providing Financial Records;  
Recordkeeping Requirements for Certain Financial Records (Docket  
Number: R-0888)

**LEGAL AUTHORITY:**

12 USC 1829b  
12 USC 1951-1959  
31 USC 5311-5330

**CFR CITATION:**

12 CFR 219  
31 CFR 103.33

**ABSTRACT:**

In January 1995, the Department of the Treasury and the Board jointly adopted a final rule that requires enhanced recordkeeping related to certain funds transfers and transmittals of funds by financial institutions (the joint rule). Also in January 1995, the Treasury adopted a companion rule, known as the travel rule, that requires financial institutions to include in transmittal orders certain information that must be maintained under the joint rule. The joint rule sets forth definitions of terms used in both rules. The original effective date of these rules was January 1, 1996. Subsequent to adoption of these rules, several banks have expressed concerns that compliance with the joint rule and the travel rule would be complicated if the parties to an international transfer were defined differently in the Bank Secrecy Act regulations than they are defined in the Uniform Commercial Code Article 4A. In response to these concerns, in August 1995, the Board approved issuing for public comment proposed amendments to the joint rule's definitions and technical conforming changes to the substantive provisions to conform the meanings of the definitions of the parties to an international transfer to their meanings under Article 4A of the Uniform Commercial Code (60 FR 44144, August 24, 1995).

The proposed amendments are intended to reduce confusion of banks and nonbank financial institutions (including small institutions) as to the applicability of the joint rule and the travel rule and to reduce the cost of complying with the rules' requirements. Due to the uncertainties resulting from these proposed amendments, the Treasury and the Board have deferred the effective date of the joint rule until April 1, 1996.

Following review of the public comments, the Board is expected to take final action by year-end. It is not anticipated that the proposal will have a significant adverse economic impact on small institutions.

**TIMETABLE:**

ACTION	DATE	FR CITE
Board requested comment	08/24/95	60 FR 44144
Final Board action by	12/00/95	

**TITLE:**

Regulation: S -- Reimbursement for Providing Financial Records;  
Recordkeeping Requirements for Certain Financial Records (Docket  
Number: R-0888)

**EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES:** None

**AGENCY CONTACT:**

Elaine Boutilier  
Senior Counsel  
Legal Division  
202 452-2418

21.

**TITLE:**

Regulation: T -- Credit by Brokers and Dealers (Docket Number: R-0772)

**LEGAL AUTHORITY:**

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

**CFR CITATION:**

12 CFR 220

**ABSTRACT:**

The Board is conducting a periodic review of Regulation T, which regulates extensions of credit by and to brokers and dealers. In August 1992, the Board approved a general request for comments to aid in its review (57 FR 37109, August 18, 1992). In July 1994, the Board proposed amendments in two specific areas of Regulation T (Docket Number R-0840; RIN 7100-AB78). Those amendments were adopted in October 1994.

In June 1995, the Board proposed additional amendments that further reflect the comments submitted in response to the Board's Advance Notice of Proposed Rulemaking (60 FR 33673, June 29, 1995).

Many of the proposed amendments feature increased reliance on rules of the Securities and Exchange Commission and self-regulatory organizations. Others would make Regulation T consistent with Regulations G and U, the regulations covering securities credit by lenders other than broker-dealers.

It is not anticipated that the revisions would have a significant economic impact on the overall lending activities of a substantial number of small brokerage firms. Following review of the public comments, the Board is expected to take further action by year-end.

<b>TIMETABLE:</b>	<b>ACTION</b>	<b>DATE</b>	<b>FR CITE</b>
	Board issued advance notice and request for comment	08/18/92	57 FR 37109
	Board requested comment on amendments	06/29/95	60 FR 33763
	Further Board action expected by	12/00/95	

**EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES:** None

**AGENCY CONTACT:**

Laura Homer  
Assistant Director  
Division of Banking Supervision and Regulation  
202 452-2781

RIN: 7100-AB28

22.

**TITLE:**

Regulation: Y -- Bank Holding Companies and Change in Bank Control (Docket Number: R-0868)

**LEGAL AUTHORITY:**

12 USC 1817(j)(13)  
12 USC 1818  
12 USC 1831(i)  
12 USC 1843(c)(8)  
12 USC 1844(b)  
12 USC 3106  
12 USC 3108  
12 USC 3907  
12 USC 3909  
12 USC 3310  
12 USC 3331-3351

**CFR CITATION:**

12 CFR 225.125(g)

**ABSTRACT:**

Section 225.25(b)(4) of the Board's Regulation Y authorizes bank holding companies to act as investment adviser to registered investment companies. Bank holding companies that provide such services are subject to certain restrictions set forth in the Board's interpretation regarding investment adviser activities. In December 1994, the Board approved issuing for public comment a proposal to amend the limitations in the investment adviser interpretation to permit bank holding companies that advise an investment company to purchase, in a fiduciary capacity, securities of the investment company if the purchase is specifically authorized by the terms of the instrument creating the fiduciary relationship, by court order, or by the law of the jurisdiction under which the trust is administered (59 FR 67654, December 30, 1994).

It is not anticipated that amending the investment adviser interpretation will have a significant impact on a substantial number of small institutions as it will relax an existing restriction. Following review of the public comments, the Board is expected to take final action by year-end.

<b>TIMETABLE:</b>	<b>ACTION</b>	<b>DATE</b>	<b>FR CITE</b>
	Board requested comment	12/30/94	59 FR 67654
	Further Board action by	12/00/95	

**EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES:** None

**AGENCY CONTACT:**

Thomas M. Corsi  
Senior Attorney  
Legal Division  
202 452-3275

**RIN:** 7100-AB95



23.

**TITLE:**

Regulation: DD -- Truth in Savings (Docket Number: R-0836 and Docket Number: R-0869)

**LEGAL AUTHORITY:**

12 USC 4301 et seq

**CFR CITATION:**

12 CFR 230

**ABSTRACT:**

Sections 261 to 275 of the Federal Deposit Insurance Corporation Improvement Act of 1991 require depository institutions to provide a schedule of terms, rates, and fees for deposit accounts offered by the institution. The law also sets forth rules for advertisements for deposit accounts.

In January 1995, the Board issued for public comment proposed amendments to Regulation DD that would produce an annual percentage yield (APY) that reflects the timing of interest payments as well as the timing of compounding. The proposal also solicits comment on an alternative method of calculating the APY (an internal rate of return formula) (60 FR 5142, January 26, 1995). The January 1995 proposal is an outgrowth of a May 1994 proposal that would have affected institutions' compounding and crediting practices in addition to changing the APY (59 FR 24378, May 11, 1994). The Board also adopted in January 1995 an interim rule that permits institutions and deposit brokers advertising noncompounding multi-year time accounts that require interest payouts at least annually to disclose an APY equal to the interest rate (60 FR 5128, January 26, 1995; Docket No. R-0836). Public comment on the approach was solicited in a July 1994 notice extending the comment period for the May 1994 proposal (59 FR 35271, July 11, 1994). The economic impact on small institutions will depend upon the variety of deposit products offered, the extent of the disclosures, and the options for compliance offered by the final rule.

The Congress is considering legislation that would require substantial revisions to Regulation DD, including eliminating the APY. Further action by the Board is deferred, pending action by the Congress on Truth in Savings legislation.

**TIMETABLE:**

<b>ACTION</b>	<b>DATE</b>	<b>FR CITE</b>
Board requested comment	05/11/94	59 FR 24378
Board extended comment period	07/11/94	59 FR 35271
Board adopted an interim rule	01/26/95	60 FR 5128
Board requested further comment	01/26/95	60 FR 5142
Further Board action following Congressional action	Undetermined	

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

**TITLE:**

Regulation: DD -- Truth in Savings (Docket Number: R-0836 and  
Docket Number: R-0869)

**AGENCY CONTACT:**

Jane Aherns  
Senior Attorney  
Division of Consumer and Community Affairs  
202 452-3667

**RIN:** 7100-AB80

24.

**TITLE:**

Federal Reserve Bank Book-Entry Securities Transfer Services  
(Docket Number: R-0866)

**LEGAL AUTHORITY:**

12 USC 221 et seq

**CFR CITATION:**

None

**ABSTRACT:**

In January 1995, the Board requested public comment on the effects of opening the Fedwire on-line book-entry securities transfer service earlier in the day, on new service capabilities related to earlier opening, and on establishment of a firm closing time for the service (60 FR 123, January 3, 1995). An earlier opening time could benefit the financial markets by facilitating international transactions, providing increased liquidity, and reducing risk. Participation in the proposed early-hour service would be voluntary; therefore, the service should not have a significant economic effect on a substantial number of small entities.

In August 1995, following review of the public comments, the Board adopted a firm closing time of 3:15 pm (ET) for transfer originations and 3:30 pm (ET) for reversals, effective January 2, 1996 (60 FR 42410, August 15, 1995).

Following further review of the public comments, the Board is expected to take further action regarding earlier opening and new service capabilities by July 1996.

**TIMETABLE:**

**ACTION**

**DATE**

**FR CITE**

Board requested comment	01/03/95	60 FR 123
Board adopted firm closing time	08/15/95	60 FR 42410
Further Board action by	07/00/96	

**EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES:** None

**AGENCY CONTACT:**

Lisa Hoskins  
Project Leader  
Division of Reserve Bank Operations and Payment Systems  
202 452-3437

**RIN:** 7100-AB97

25.

**TITLE:**

Federal Reserve Payments System Risk Policy (Docket Number: R-0889)

**LEGAL AUTHORITY:**

12 USC 221 et seq

**CFR CITATION:**

None

**ABSTRACT:**

In August 1995, the Board approved requesting public comment on a policy to control access to Federal Reserve Bank automated clearing house (ACH) services by entities other than the depository institutions whose Federal Reserve accounts will be debited (60 FR 42413, August 15, 1995). The proposed policy is intended to help ensure the safety and soundness of the ACH system.

The proposed policy could have a significant economic impact on a substantial number of small depository institutions that use Federal Reserve ACH services or third-party ACH service providers. The proposal would require those institutions to perform credit assessments of their corporate customers who originate ACH credit transfers, set credit limits for those customers, and transmit those limits to a monitoring facility operated by either the Federal Reserve or the third-party service provider.

Following review of the public comments, the Board is expected to take further action by April 1996.

<b>TIMETABLE:</b>	<b>ACTION</b>	<b>DATE</b>	<b>FR CITE</b>
	Board requested comment	08/15/95	60 FR 42413
	Further Board action by	04/00/96	

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

**AGENCY CONTACT:**

Scott E. Knudson  
Senior Financial Services Analyst  
Division of Reserve Bank Operations and Payment Systems  
202 452-3959

26.

**TITLE:**

Risk-Based Capital Standards: Interest Rate Risk (Docket Number: R-0802)

**LEGAL AUTHORITY:**

12 USC 36  
12 USC 248(a)  
12 USC 248(c)  
12 USC 321-338  
12 USC 461  
12 USC 481-486  
12 USC 601  
12 USC 611  
12 USC 1814  
12 USC 1823(j)  
12 USC 3105  
12 USC 3310  
12 USC 3331-3351  
12 USC 3906-3909  
15 USC 78(b)

**CFR CITATION:**

12 CFR 208  
12 CFR 225

**ABSTRACT:**

Section 305 of the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) requires each federal banking agency to revise its risk-based capital standards for the depository institutions it regulates in order to ensure that those standards take adequate account of interest rate risk (IRR), concentration of credit risk, and the risks of nontraditional activities.

In March 1993, following a review of comments received from an advanced notice of proposed rulemaking issued in 1992 and after staff discussions with the other agencies, the Board approved for public comment a notice of proposed rulemaking for IRR.

In September 1994, the Riegle Community Development and Regulatory Improvement Act of 1994 amended section 305 of FDICIA by adding a new subparagraph instructing the banking agencies to "take into account the size and activities of the institutions and do not cause undue reporting burdens." Following review of the public comments and the recently enacted legislation, the Board approved a final rule in June 1995 amending its risk-based capital standards to consider explicitly "a bank's exposure to declines in the economic value of its capital due to changes in interest rates" when evaluating capital adequacy (60 FR 39490, August 2, 1995). It is not expected that the rule will have a significant economic impact on small institutions.

Also in June 1995, the Board approved requesting public comment on a proposed Joint Agency Policy Statement regarding the measurement and assessment of interest rate risk (60 FR 39495, August 2, 1995). The proposed Policy Statement describes a measurement framework comprised of exemption screens, a supervisory model, and use of a bank's own internal model.

**TITLE:**

Risk-Based Capital Standards (Docket Number: R-0802)

**ABSTRACT CONT:**

Small banks would be exempted from the proposed Policy Statement and associated reporting requirements in order to lessen regulatory burden on small, well-managed banks. Following review of the public comments, the Board is expected to take further action within the next six months.

**TIMETABLE:**

<b>ACTION</b>	<b>DATE</b>	<b>FR CITE</b>
Board requested comment on an ANPRM	08/10/92	57 FR 35507
Board approved requesting comment on proposed rulemaking	09/14/93	58 FR 48206
Board approved final rule implementing section 305	08/02/95	60 FR 39490
Board approved requesting comment on proposed Joint Agency Policy Statement	08/02/95	60 FR 39495
Further Board action by	03/00/96	

**EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES:** None

**AGENCY CONTACT:**

James Embersit  
Manager  
Division of Banking Supervision and Regulation  
202 452-5249

**RIN:** 7100-AB50

27.

**TITLE:**

Rules of Practice for Hearings (Docket Number: R-0878)

**LEGAL AUTHORITY:**

12 USC 554-557  
12 USC 248  
12 USC 1817(j)  
12 USC 1818  
12 USC 1847

**CFR CITATION:**

12 CFR Part 263, Subpart A

**ABSTRACT:**

Section 916 of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 required the federal financial institutions regulatory agencies to develop uniform rules and procedures for administrative hearings. The agencies each adopted final Uniform Rules in August 1991. Based on their experience since then, the agencies have identified sections of the Uniform Rules that should be modified. In June 1995, amendments to those provisions were published for comment (60 FR 32882, June 23, 1995). In addition to technical modifications or clarifications, the proposals also make some substantive changes relating to the scope of document discovery and the examination of witnesses by multiple counsel for a party. The proposed amendments will not have a significant economic impact on a substantial number of small entities. They affect only those persons and entities who are the subject of litigated enforcement actions by the Board. Following review of the public comments, the Board is expected to take further action within the next two months.

<b>TIMETABLE:</b>	<b>ACTION</b>	<b>DATE</b>	<b>FR CITE</b>
	Board requested comment	06/23/95	60 FR 32882
	Further Board action by	11/00/95	

**EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES:** None

**AGENCY CONTACT:**

Katherine Wheatley  
Assistant General Counsel  
Legal Division  
202 452-3779

28.

**TITLE:**

Standards for Safety and Soundness (Docket Number: R-0766)

**LEGAL AUTHORITY:**

PL 102-242

**CFR CITATION:**

12 CFR Chapter II

**ABSTRACT:**

Section 132 of the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) directs each federal banking agency to prescribe standards regarding operations, management, asset quality, earnings, stock valuation (to the extent feasible), and employee compensation. In July 1992, the Board requested public comment on an interagency advance notice of proposed rulemaking (57 FR 31336, July 15, 1992). After considering the public's comments, a notice of proposed rulemaking was developed that contains broad principle-based standards that leave the method for meeting such standards largely in the province of management.

A draft notice of proposed rulemaking was approved by the Board in April 1993, and an interagency notice was published in November 1993 (58 FR 60802, November 18, 1993).

In September 1994, the Riegle Community Development and Regulatory Improvement Act of 1994 modified section 132 by: (1) providing the agencies with the option to promulgate standards as guidelines rather than regulations; (2) removing bank holding companies from the scope of section 132; and (3) giving each agency discretion to prescribe standards relating to earnings, asset quality, and stock valuation that it deems appropriate. Although the legislative changes allow the standards to be issued as guidelines, the enforcement provisions relating to compliance plans must be issued as regulations. Accordingly, in February 1995, following review of the public comments, the Board adopted a final rule and guidelines for section 132 taking into account these changes. The final rule is not expected to have a significant economic impact on small institutions.

The Board also approved for comment proposed guidelines for asset quality and earnings that represent broader, more comprehensive standards than the rigid ratios or minimums originally mandated by section 132. The final rule and guidelines and proposed guidelines were published in a joint agency notice in July 1995 (60 FR 35673 and 35688, July 10, 1995).

Following review of the public comments, the Board is expected to take further action on the proposed asset quality and earnings guidelines by year-end.

**TIMETABLE:**

<b>ACTION</b>	<b>DATE</b>	<b>FR CITE</b>
Board requested comment	07/15/92	57 FR 31336
Board issued notice of proposed rulemaking	11/18/93	58 FR 60802
Board adopted rule and guidelines	07/10/95	60 FR 35673
Board requested comment on additional guidelines	07/10/95	60 FR 35688
Further Board action by	12/00/95	



**TITLE:**

Standards for Safety and Soundness (Docket Number: R-0766)

**EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES:** None

**AGENCY CONTACT:**

Roger T. Cole  
Deputy Associate Director  
Division of Banking Supervision and Regulation  
202 452-2618

**RIN:** 7100-AB52

29.

**TITLE:**

Ten Percent Revenue Limit on Bank-Ineligible Activities of  
Subsidiaries of Bank Holding Companies (Docket Number: R-0841)

**LEGAL AUTHORITY:**

12 USC 377

**CFR CITATION:**

None

**ABSTRACT:**

Section 20 of the Glass-Steagall Act prohibits a member bank from being affiliated with a company that is "engaged principally" in underwriting and dealing in securities that a bank may not underwrite and deal in directly ("ineligible securities"). In July 1994, the Board issued for public comment a proposal to provide an alternative to the current indexed revenue test used to measure compliance with the "engaged principally" standard (59 FR 35516, July 12, 1994). The current test limits to 10 percent revenue earned from ineligible securities activities relative to the total revenue of a bank holding company subsidiary engaged, to a limited extent, in underwriting and dealing in ineligible securities ("section 20 subsidiary"). Comments were solicited on whether asset values or sales volume data, or a combination of both measures, should be used as a new alternative test. In 1993, the Board solicited comment on a proposed test based on asset values, then deferred a decision to adopt such a test. The current proposal would allow section 20 subsidiaries additional flexibility in the conduct of their securities operations and arises due to the Board's increased experience in reviewing and monitoring the activities and operations of these subsidiaries. The proposal would not have a significant economic impact on small entities nor on a substantial number of bank holding companies.

Following review of the public comments, the Board is expected to take further action by year-end.

<b>TIMETABLE:</b>	<b>ACTION</b>	<b>DATE</b>	<b>FR CITE</b>
	Board requested comment	07/12/94	59 FR 35516
	Further Board action by	12/00/95	

**EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES:** None

**AGENCY CONTACT:**

Thomas Corsi  
Senior Attorney  
Legal Division  
202 452-3275

**RIN:** 7100-AB82

Section 3  
Completed Actions

30.

**TITLE:**

Regulation: E -- Electronic Fund Transfers (Docket Number: R-0859)

**LEGAL AUTHORITY:**

15 USC 1693

**CFR CITATION:**

12 CFR 205

**ABSTRACT:**

In December 1994, the Board published for comment an interim rule amending Regulation E to eliminate the requirement that an electronic terminal receipt disclose a number or code that uniquely identifies the consumer, the consumer's account, or the access device (59 FR 61787, December 2, 1994). This requirement posed a significant security risk for consumers and financial institutions by making information accessible to criminals that they then used to withdraw funds from consumers' accounts. By deleting the requirement for a unique identifier, the Board enabled institutions to truncate card and account numbers. With a truncated number, it becomes less feasible for a criminal to duplicate a card with an account number that matches the consumer's number. The amendment will reduce fraud without compromising consumer's ability to identify transactions at ATMs. By helping to prevent fraud, the proposed amendment will have a positive economic effect on small entities and will reduce regulatory burden for many state member banks by removing the restriction on required disclosures.

In March 1995, following review of the public comments, the Board adopted a final rule in substantially the form proposed (60 FR 15032, March 22, 1995).

<b>TIMETABLE:</b>	<b>ACTION</b>	<b>DATE</b>	<b>FR CITE</b>
	Board adopted interim rule with request for comment	12/02/94	59 FR 61787
	Board adopted final rule	03/22/95	60 FR 15032

**EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES:** None

**AGENCY CONTACT:**

Jane Jensen Gell  
Attorney  
Division of Consumer and Community Affairs  
202 452-2084

**RIN:** 7100-AB91

31.

**TITLE:**

Regulation: H -- Membership of State Banking Institutions in the Federal Reserve System; and Regulation: Y -- Bank Holding Companies and Change in Bank Control (Docket Number: R-0845)

**LEGAL AUTHORITY:**

12 USC 36  
12 USC 248(c)  
12 USC 371(d)  
12 USC 461  
12 USC 601  
12 USC 611  
12 USC 1817(j)(13)  
12 USC 1818  
12 USC 1823(j)  
12 USC 1828(o)  
12 USC 1831i  
12 USC 1843(c)(8)  
12 USC 1972(i)  
12 USC 3105  
12 USC 3106

**CFR CITATION:**

12 CFR 208, app A  
12 CFR 225, app A

**ABSTRACT:**

In August 1994, the Board approved issuing for public comment a proposal to amend the risk-based capital treatment of certain derivative transactions (59 FR 43508, August 24, 1994). The effect of the proposal would be twofold. First, the proposal would revise and expand the set of conversion factors used to calculate the potential future exposure of derivative contracts. Under this part of the proposal, long-dated interest and exchange rate contracts would be subject to new, higher conversion factors, and new conversion factors would be applied to equity, precious metal, and other commodity derivative contracts. The second part of the proposal would recognize effects of bilateral netting arrangements in the calculation of potential future exposure for derivative contracts subject to qualifying netting arrangements. It is not expected that this proposal will have a significant economic impact on a substantial number of small business entities.

In August 1995, following review of the public comments, the Board adopted the rule substantially as proposed (60 FR 46170, September 5, 1995). However, in response to comments received, the Board has lowered the proposed conversion factor for commodity contracts with remaining maturities of one year or less from 12% to 10% and has revised the calculation of potential future exposure to recognize greater reductions in potential future exposure for certain derivative contracts subject to bilateral netting arrangements.

**TITLE:**

Regulation: H -- Membership of State Banking Institutions in the Federal Reserve System; and Regulation: Y -- Bank Holding Companies and Change in Bank Control (Docket Number: R-0845)

**TIMETABLE:**

<b>ACTION</b>	<b>DATE</b>	<b>FR CITE</b>
Board approved request for comment	08/24/94	59 FR 43508
Board adopted proposal	09/05/95	60 FR 46170

**EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES:** None

**AGENCY CONTACT:**

Roger Cole  
Deputy Associate Director  
Division of Banking Supervision and Regulation  
202 452-2618

**RIN:** 7100-AB85

32.

**TITLE:**

Regulation: H -- Membership of State Banking Institutions in the Federal Reserve System; and Regulation: Y -- Bank Holding Companies and Change in Bank Control (Docket Number: R-0870)

**LEGAL AUTHORITY:**

12 USC 36  
12 USC 248(a)  
12 USC 248(c)  
12 USC 321-338a  
12 USC 371d  
12 USC 461  
12 USC 481-486  
12 USC 601  
12 USC 611  
12 USC 1814  
12 USC 1817(j) (13)  
12 USC 1818  
12 USC 1823(j)  
12 USC 1828(o)  
12 USC 1831i

**CFR CITATION:**

12 CFR 208, app A  
12 CFR 225, app A

**ABSTRACT:**

In January 1995, the Board approved issuing for public comment a proposal to amend its risk-based and leverage capital guidelines for state member banks and its risk-based capital guidelines for bank holding companies to reduce the capital requirement for small business obligations transferred with recourse by qualified banking organizations (60 FR 6042, February 1, 1995). This proposal would implement section 208 of the Riegle Community Development and Regulatory Improvement Act of 1994.

Under the proposal, qualifying institutions that transfer small business obligations with recourse would be required to maintain capital only against the amount of recourse retained, provided certain criteria are met. The total outstanding amount of recourse retained on transfers of small business obligations receiving the preferential capital treatment generally could not exceed 15 percent of an institution's total risk-based capital. It is not expected that this proposal would have a significant economic impact on a substantial number of small banking organizations.

In August 1995, following review of the public comments, the Board adopted the proposal (60 FR 45612, August 31, 1995). The final rule does not, as proposed, amend the leverage capital guidelines for state member banks to require that the off-balance sheet amount of retained recourse on small business loans sold with recourse be included in the calculation of the leverage ratio. The Board has concluded that the leverage ratio should continue to be based primarily on the amount of average total on-balance sheet assets as reported in the Call Report.

**TITLE:**

Regulation: H -- Membership of State Banking Institutions in the Federal Reserve System; and Regulation: Y -- Bank Holding Companies and Change in Bank Control (Docket Number: R-0870)

**TIMETABLE:**

<b>ACTION</b>	<b>DATE</b>	<b>FR CITE</b>
Board requested comment	02/01/95	60 FR 6042
Board adopted proposal	08/31/95	60 FR 45612

**EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES:** None

**AGENCY CONTACT:**

Thomas R. Boemio  
Supervisory Financial Analyst  
Division of Banking Supervision and Regulation  
202 452-2982

**RIN:** 7100-AB93



33.

**TITLE:**

Regulation: Y -- Bank Holding Companies and Change in Bank Control (Docket Number: R-0851)

**LEGAL AUTHORITY:**

12 USC 1972(1)

**CFR CITATION:**

12 CFR 225.7

**ABSTRACT:**

In October 1994, the Board issued for public comment a proposed exception to the anti-tying restrictions of section 106 of the Bank Holding Company Act and the Board's Regulation Y (59 FR 53761, October 26, 1994). The proposal would establish by regulation a "safe harbor" permitting a bank to offer a discount on any product or package of products if a customer maintains a combined balance in deposits and other products specified by the bank. The Board previously granted a similar exception by order to Fleet Financial Group, Inc., Providence, Rhode Island. The proposal is not expected to have a significant economic impact on small institutions.

In April 1995, following review of the public comments, the Board adopted the proposal substantially as proposed (60 FR 20186, April 25, 1995).

**TIMETABLE:**

<b>ACTION</b>	<b>DATE</b>	<b>FR CITE</b>
Board requested comment	10/26/94	59 FR 53761
Board adopted proposal	04/25/95	60 FR 20186

**EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES:** None

**AGENCY CONTACT:**

Greg Baer  
Managing Senior Counsel  
Legal Division  
202 452-3236

**RIN:** 7100-AB94

34.

**TITLE:**

Regulation: Z -- Truth in Lending (Docket Number: R-0858)

**LEGAL AUTHORITY:**

15 USC 3806  
15 USC 1604  
15 USC 1637(c) (5)

**CFR CITATION:**

12 CFR 226

**ABSTRACT:**

Sections 151 to 154 of the Riegle Community Development and Regulatory Improvement Act of 1994 amend the Truth in Lending Act to impose on creditors disclosure requirements about the potential cost of reverse mortgage transactions and disclosure requirements and substantive limitations on home mortgage transactions with high rates or high fees. To implement sections 151 to 154, in December 1994, the Board published for comment amendments to Regulation Z (59 FR 61832, December 2, 1994). The types of mortgages that trigger these new requirements are not typically offered by small institutions; thus, the requirements would not have a significant economic impact on those institutions.

In March 1995, following review of the public comments, the Board adopted the amendments in substantially the form proposed (60 FR 15463, March 24, 1995).

<b>TIMETABLE:</b>	<b>ACTION</b>	<b>DATE</b>	<b>FR CITE</b>
	Board requested comment	12/02/94	59 FR 61832
	Board adopted amendments	03/24/95	60 FR 15463

**EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES:** None

**AGENCY CONTACT:**

Jane Ahrens  
Senior Attorney  
Division of Consumer and Community Affairs  
202 452-3667

**RIN:** 7100-AB96

35.

**TITLE:**

Regulation: BB -- Community Reinvestment (Dockers Number: R-0822)

**LEGAL AUTHORITY:**

12 USC 321  
12 USC 325  
12 USC 1814  
12 USC 1816  
12 USC 1828

**CFR CITATION:**

12 CFR 228

**ABSTRACT:**

In December 1993, the Board and the other financial supervisory agencies proposed for public comment amendments to the regulations implementing the Community Reinvestment Act (CRA). The proposed regulations would replace the existing regulations. The purpose of the proposal was to develop more objective and enforceable regulatory requirements while reducing regulatory burden. To do this, the proposal called for a new set of tests of banks' CRA-related performance based on their lending, services, and investments in low- and moderate-income communities. It would also have required the collection of new data for larger banks but would have provided for a streamlined assessment of the performance of smaller banks.

In October 1994, following review of the public comments, the Board and the other agencies issued a revised proposal for comment (59 FR 51232, October 7, 1994). One significant element of the revised proposal was the addition of a requirement that larger banks collect data on the race and gender of the owners of small farms and businesses who receive or, in some instances, unsuccessfully apply for credit. In order to coordinate collection of those data with collection of data already required by the Home Mortgage Disclosure Act, technical conforming amendments were simultaneously proposed by the Board for its Regulation C (Home Mortgage Disclosure).

In May 1995, following review of the public comments, the Board and the other agencies adopted a final revised Regulation BB (60 FR 22155, May 4, 1995). The regulation is similar to the 1994 proposal in most respects but did not include any provision for collection of race and gender data regarding small business and small farm credit applicants. In addition, the Board approved final revisions to Regulation C substantially as proposed (60 FR 22223, May 4, 1995).

All insured depositories are subject to the regulation. It is the purpose of this regulatory action to reduce regulatory burden, particularly on smaller institutions, and it is not expected to have a significant economic impact on a substantial number of small banks.

**TITLE:**

Regulation: BB -- Community Reinvestment (Docker Number: R-0822)

**TIMETABLE:**

<b>ACTION</b>	<b>DATE</b>	<b>FR CITE</b>
Board requested comment	12/21/93	58 FR 67465
Board requested comment on revised proposal	10/07/94	59 FR 51232
Board adopted proposals	05/04/95	60 FR 22155

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

**AGENCY CONTACT:**

Glenn E. Loney  
Associate Director  
Division of Consumer and Community Affairs  
202 452-3585

**RIN:** 7100-AB75

36.

**TITLE:**

Internal Appeals Process (Docket Number: R-0867)

**LEGAL AUTHORITY:**

12 USC 4806

**CFR CITATION:**

None

**ABSTRACT:**

Section 309 of the Riegle Community Development and Regulatory Improvement Act of 1994 requires the federal banking agencies to adopt an independent internal appeals process. In December 1994, the Board requested public comment on procedures similar to those currently in use by the Federal Reserve Banks (59 FR 67297, December 29, 1994). The procedures are available to any institution supervised by the Federal Reserve that wishes to appeal a material supervisory determination. Under the procedures, an institution wishing to appeal can have that appeal heard by a disinterested person or persons at the Reserve Bank, with a further right of appeal to the Reserve Bank President and to the Board of Governors. The procedures set forth deadlines to ensure that all appeals are heard and decided expeditiously. It is not expected that the procedures will have a significant economic impact on small institutions.

In March 1995, following review of the public comments, the Board adopted final guidelines substantially as proposed (60 FR 16470, March 30, 1995).

**TIMETABLE:**

ACTION	DATE	FR CITE
Board requested comment	12/29/94	59 FR 67297
Board adopted guidelines	03/30/95	60 FR 16470

**EFFECTS ON SMALL BUSINESS AND OTHER ENTITIES:** None

**AGENCY CONTACT:**

Greg Baer  
Managing Senior Counsel  
Legal Division  
202 452-3236

**RIN:** 7100-AB98