

**FEDERAL RESERVE SYSTEM****Semiannual Regulatory Flexibility Agenda  
October 1, 1996 - April 1, 1997**

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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.

Public Information Department  
FEDERAL RESERVE BANK OF NEW YORK

FEDERAL RESERVE SYSTEM

12 CFR Chap. II

Notice of Semiannual Regulatory Flexibility Agenda

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Semiannual regulatory 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, 1996, through April 1, 1997. The next Semiannual Agenda will be published in April 1997.

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 1996 Agenda as part of the October 1996 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

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:**

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 1818  
12 USC 1823 (j)  
12 USC 1828 (o)  
12 USC 1831o  
12 USC 1831p-1

**CFR CITATION:**

12 CFR 208

**ABSTRACT:**

In conjunction with the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency, the Board will consider issuing for public comment a proposed regulation establishing a professional qualification program for banks that engage in retail recommendations and sales of certain securities using their own employees. The proposed regulation will establish qualification testing, registration and continuing education requirements for bank employees that act in the capacity of bank securities representatives. The proposed requirements will be based on the professional qualification rules of the securities self-regulatory organizations.

It is not anticipated that the proposal will have a significant economic impact on a substantial number of small banks.

**TIMETABLE:**

**ACTION**

**DATE**

**FR CITE**

Board may request comment by

10/00/96

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

**AGENCY CONTACT:**

Angela Desmond  
Senior Counsel  
Division of Banking Supervision and Regulation  
202 452-2781

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.

Subsequently in February 1996, the FDIC approved amendments to its rules implementing section 112 that were largely required by the Riegle Community Development and Regulatory Improvement Act of 1994. These amendments expand opportunities for holding companies to file a single report covering multiple subsidiary banking organizations, conform the rule's references to the Federal Reserve's Regulation O, and make other technical revisions.

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.

**TIMETABLE:**

**ACTION**

**DATE**

**FR CITE**

Board may consider amendments to  
Regulations H and Y by

12/00/96

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

**TITLE:**

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

**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.

**TIMETABLE:**

**ACTION**

**DATE**

**FR CITE**

Board may consider amendments to  
Regulations H and Y by

12/00/96

**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 two 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.

**TIMETABLE:**

<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 two months	10/00/96	

**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.

Amendments to Regulation Y reflecting the statutory changes have been proposed as part of the Board's overall review of Regulation Y under section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994 (Docket Number: R-0935). Similar amendments to Regulation H will be considered by the Board in its overall review of that regulation by year-end. 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 requested comment on Regulation Y	09/06/96	61 FR 47241
	Board is expected to act on Regulation H by	12/00/96	

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

**AGENCY CONTACT:**

Lawranne Stewart  
Senior Attorney  
Legal Division  
202 452-3513

**RIN:** 7100-AB87

6.

**TITLE:**

Section 303 Regulatory Review

**LEGAL AUTHORITY:**

12 USC 4803(a)(1)

**CFR CITATION:**

12 CFR Chapter II

**ABSTRACT:**

In response to the requirements of section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994, the Board is reviewing its regulations for purposes of streamlining, improving efficiency, reducing unnecessary costs, and removing inconsistencies and outmoded/duplicative requirements. The Board is also working jointly with the other banking agencies to make uniform regulations and guidelines implementing common statutory and supervisory policies. A regulatory review timetable was published in the Federal Register in October 1995 (60 FR 53546, October 16, 1995).

Within the next six months, it is expected that the Board will seek public comment during the course of the reviews of the following regulations/policy statements/other regulatory guidance. Reviews already proposed for public comment appear elsewhere in the Agenda.

**Regulation G**, Securities Credit by Persons Other Than Banks, Brokers, or Dealers.

**Regulation H**, Membership of State Banking Institutions in the Federal Reserve System.

**Regulations H and Y**, Appendices, Capital Adequacy Guidelines.

**Regulation K**, International Banking Operations (Overall Comprehensive Review).

**Regulation O**, Loans to Executive Officers, Directors, and Principal Shareholders of Member Banks.

**Regulation X**, Borrowers of Securities Credit.

**TIMETABLE:**

**ACTION**

**DATE**

**FR CITE**

Board action expected during the next  
six months

04/00/97

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

**AGENCY CONTACT:**

Thomas A. Durkin  
Regulatory Planning and Review Director  
Office of the Secretary  
202 452-3236

**RIN:** 7100-AC09

Section 2  
Final Rule Stage

7.

**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 six months.

**TIMETABLE:**

**ACTION**

**DATE**

**FR CITE**

Board requested comment

04/26/95

60 FR 20436

Further Board action by

04/00/97

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

**AGENCY CONTACT:**

Sheilah Goodman

Staff Attorney

Division of Consumer and Community Affairs

202 452-3667

**RIN:** 7100-AB99

8.

**TITLE:**

Regulation: D -- Reserve Requirements of Depository Institutions  
(Docket Number: R-0929)

**LEGAL AUTHORITY:**

12 USC 248(a)  
12 USC 248(c)  
12 USC 371a  
12 USC 461  
12 USC 601  
12 USC 611  
12 USC 3105

**CFR CITATION:**

12 CFR Part 208

**ABSTRACT:**

In June 1996, as part of its regulatory review process mandated by section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994, the Board approved issuing for public comment a proposal to amend Regulation D in order to reduce regulatory burden and simplify and update requirements (61 FR 30545, June 17, 1996). In general, the proposal would delete transitional rules relating to the expansion of reserve requirements to nonmember depository institutions, the authorization of NOW accounts nationwide, and other matters that no longer have a significant effect.

It is not expected that the amendments will have a significant adverse economic impact on a substantial number of small entities. Following review of the public comments, the Board is expected to take further action by year-end.

**TIMETABLE:**

<b>ACTION</b>	<b>DATE</b>	<b>FR CITE</b>
Board requested comment	06/17/96	61 FR 30545
Further Board action by	12/00/96	

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

**AGENCY CONTACT:**

Rick Heyke  
Staff Attorney  
Legal Division  
202 452-3688

9.

**TITLE:**

Regulation: E -- Electronic Fund Transfers (Docket Number: R-0919)

**LEGAL AUTHORITY:**

15 USC 1693 et seq

**CFR CITATION:**

12 CFR 205

**ABSTRACT:**

In 1994, the Board issued a proposed comprehensive revision to Regulation E under the Board's Regulatory Planning and Review Program (Docket Number: R-0830; RIN: 7100-AA77). In the proposal, the Board also requested comment on whether Regulation E should apply to stored-value cards. Stored-value cards (also known as prepaid cards) maintain, typically in a computer chip or magnetic strip, a "stored value" of funds available to the cardholder. The balance recorded on the card is debited at a merchant's terminal when the cardholder makes a purchase. In response to comment, the Board in May 1996 published further proposed amendments to Regulation E, imposing modified Regulation E requirements on stored-value products in systems that track individual transactions, cards, or consumers; providing an exemption for cards on which a maximum value of \$100 can be stored; and providing that other stored-value cards are not covered by Regulation E (61 FR 19696, May 2, 1996).

In the 1994 proposed revision, the Board also requested comment on an amendment that would permit electronic debits to an account to be authorized in electronic form, such as by personal computer and modem. In response to comment, the Board in its May 1996 proposal published further proposed amendments that would permit electronic communications to substitute generally for oral or written disclosures, documentation, and notices required under Regulation E.

Finally, commenters requested that the Board consider proposing extension of the error resolution time limits under Regulation E for new accounts to avoid the possibility of fraud. In response to these comments, the Board in its May 1996 proposal published further proposed amendments that would extend the error resolution time limits.

The proposals are part of the Board's overall review of its regulations as required by section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994. It is not expected that the proposals would 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 six months.

**TIMETABLE:**

**ACTION**

**DATE**

**FR CITE**

Board requested comment  
Further Board action by

05/02/96  
04/00/97

61 FR 19696

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



**TITLE:**

Regulation: E -- Electronic Fund Transfers (Docket Number:  
R-0919)

**AGENCY CONTACT:**

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

**RIN:** 7100-AC06

10.

**TITLE:**

Regulation: G -- Securities Credit by Persons Other than Banks, Brokers, or Dealers; Regulation: T -- Credit by Brokers and Dealers; Regulation: U -- Credit by Banks (Docket Number: R-0923)

**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 207  
12 CFR 220  
12 CFR 221

**ABSTRACT:**

The Board is conducting a periodic review of its margin regulations. The first regulation to be reviewed was Regulation T, which regulates extensions of credit by and to brokers and dealers (see Docket Numbers R-0772, RIN 7100-AB28 and R-0840, RIN 7100-AB78). In May 1996, at the same time the Board adopted a revised Regulation T, it requested public comment on additional amendments to Regulations G, T, and U (61 FR 20399, May 6, 1996). The proposed amendments would allow broker-dealers to extend good faith credit on any non-equity security; allow transactions involving non-equity securities to be effected in an account not subject to the restrictions of Regulation T's margin account; remove restrictions on the ability of broker-dealers to calculate required margin for non-equity securities on a "portfolio" basis; relax the Board's collateral requirements for the borrowing and lending of securities; and exempt from Regulation T any credit extended abroad by a U.S. broker-dealer on foreign securities to foreign persons. The proposal also seeks comment on whether the Board should expand the number of equity securities eligible for loan value under Regulation T and whether the Board should amend Regulations G and U to modify their method for determining which equity securities qualify as margin stock.

It is not anticipated that the revisions would have a significant economic impact on the overall lending activities of a substantial number of small lenders. Following review of the public comments, the Board is expected to take further action within the next two months. The proposals are a part of the Board's overall review of its regulations as required by section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994.

**TIMETABLE:**

<b>ACTION</b>	<b>DATE</b>	<b>FR CITE</b>
Board requested comment	05/06/96	61 FR 20399
Further Board action by	10/00/96	

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

**TITLE:**

Regulation: G -- Securities Credit by Persons Other than Banks,  
Brokers, or Dealers; Regulation: T -- Credit by Brokers and  
Dealers; Regulation: U -- Credit by Banks (Docket Number: R-0923)

**AGENCY CONTACT:**

Scott Holz  
Senior Attorney  
Division of Banking Supervision and Regulation  
202 452-2781

11.

**TITLE:**

Regulation: H -- Membership of State Banking Institutions in the Federal Reserve System (Docket Number: R-0909)

**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

**ABSTRACT:**

In December 1995, the Board issued for public comment proposed amendments to Regulation H pertaining to the recordkeeping and confirmation disclosures for certain securities transactions effected by state member banks (60 FR 66759, December 26, 1995). These disclosures cover transactions effected for customers involving debt and asset-backed securities and generally require three-day settlement for these transactions.

It is not expected that the revisions will have a significant economic impact on a substantial number of small institutions. Following review of the public comments, the Board is expected to take further action within the next two months. The proposal is part of the Board's overall review of its regulations as required by section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994.

<b>TIMETABLE:</b>	<b>ACTION</b>	<b>DATE</b>	<b>FR CITE</b>
	Board requested comment	12/26/95	60 FR 66759
	Further Board action expected by	10/00/96	

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

**AGENCY CONTACT:**

Susan S. Meyers  
Senior Securities Regulation Analyst  
Division of Banking Supervision and Regulation  
202 452-2781

**RIN:** 7100-AC07

12.

**TITLE:**

Regulation: H -- Membership of State Banking Institutions in the Federal Reserve System; and Regulation: K -- International Banking Operations (Docket Number: R-0921)

**LEGAL AUTHORITY:**

15 USC 78o-5

**CFR CITATION:**

12 CFR Part 208  
12 CFR Part 211

**ABSTRACT:**

In April 1996, the Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation jointly published for comment a proposed rule regarding the responsibilities of banks that are government securities brokers or dealers with respect to sales practices concerning government securities (61 FR 18470, April 25, 1996). The proposed rule would establish standards concerning the recommendations to customers and the conduct of business by a bank that is a government securities broker or dealer. The agencies also proposed adopting an interpretation concerning recommendations to institutional customers with respect to government securities transactions. The agencies requested comment generally on the need for and desirability of the proposed rule and interpretation. The proposed rule 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 by year-end.

**TIMETABLE:**

<b>ACTION</b>	<b>DATE</b>	<b>FR CITE</b>
Board requested comment	04/25/96	61 FR 18470
Further Board action by	12/00/96	

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

**AGENCY CONTACT:**

Oliver Ireland  
Associate General Counsel  
Legal Division  
202 452-3625

13.

**TITLE:**

Regulation: H -- Membership of State Banking Institutions in the Federal Reserve System; Regulation: Y -- Bank Holding Companies and Change in Bank Control (Docket Number: R-0930)

**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 1831(o)  
12 USC 1831p-1  
12 USC 3105

**CFR CITATION:**

12 CFR 208 appendix A

**ABSTRACT:**

In May 1996, the Board approved issuing for public comment a proposal to revise the risk-based capital treatment for certain collateralized transactions (61 FR 42565, August 16, 1996). Under the Board's existing risk-based capital treatment, the portion of a transaction that is supported by qualifying collateral (that is, cash or OECD government securities) is risk-weighted at 20 percent. Transactions that are fully supported by collateral with a positive margin may be eligible for a zero percent. Generally, the proposal would permit a portion of a transaction that is fully supported with a positive margin of collateral to be eligible for a zero percent risk weight. The portion that is to be continuously collateralized must be specified by the parties. This proposal was developed on an interagency basis and, if adopted, would eliminate one of the substantive differences among the agencies with regard to the risk-based capital treatment for collateralized transactions. It would implement part of the Riegle Community Development and Regulatory Improvement Act of 1994, which requires the agencies to make uniform regulations and guidelines implementing common supervisory policies. The effect of the proposal would be to allow institutions to hold less capital for certain collateralized transactions. It is not expected to 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 by year-end.

**TIMETABLE:**

<b>ACTION</b>	<b>DATE</b>	<b>FR CITE</b>
Board requested comment	08/16/96	61 FR 42565
Further Board action by	12/00/96	

**TITLE:**

Regulation: H -- Membership of State Banking Institutions in the Federal Reserve System; Regulation: Y -- Bank Holding companies and Change in Bank Control (Docket Number: R-0930)

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

**AGENCY CONTACT:**

Barbara Bouchard  
Supervisory Financial Analyst  
Division of Banking Supervision and Regulation  
202 452-3072

14.

**TITLE:**

Regulation: O -- Loans to Executive Officers, Directors, and Principal Shareholders of Member Banks (Docket Number: R-0924)

**LEGAL AUTHORITY:**

12 USC 375b  
PL 102-242

**CFR CITATION:**

12 CFR 215

**ABSTRACT:**

In April 1996, the Board approved issuing for public comment a proposed amendment to Regulation O, which limits how much and on what terms a bank may lend to its own insiders and insiders of its affiliates (61 FR 19863, May 3, 1996). Under the proposed rule, four of the five restrictions of Regulation O would not apply to extensions of credit by a bank to executive officers and directors of the bank's affiliates, provided that those executive officers and directors were not engaged in major policymaking at the lending bank. The fifth restriction, which prohibits lending on preferential terms, would continue to apply to extensions of credit to such persons.

Regulation O has long contained an exception from all the restrictions of Regulation O for qualifying executive officers of affiliates. The Riegle Community Development and Regulatory Improvement Act of 1994 authorized the Board to extend the exception to qualifying directors but also scaled back the exception with respect to preferential terms. As a result, Regulation O must be scaled back for executive officers of affiliates at the same time it is expanded for directors of affiliates.

The proposed amendment also would simplify use of the exception by eliminating the requirement that an executive officer or director be excluded from major policymaking at the lending bank by a resolution of the board of directors of the affiliate employing the executive officer or director. Under the amendment, such a resolution would only be required of the board of directors of the lending bank.

It is not anticipated that the amendment would have a significantly adverse economic impact on a substantial number of 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 requested comment	05/03/96	61 FR 19863
Further Board action by	10/00/96	

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



**TITLE:**

Regulation: O -- Loans to Executive Officers, Directors, and  
Principal Shareholders of Member Banks (Docket Number: R-0924)

**AGENCY CONTACT:**

Gordon Miller  
Attorney  
Legal Division  
202 452-2534

15.

**TITLE:**

Regulation: R -- Relations with Dealers in Securities Under  
Section 32, Banking Act of 1933 (Docker Number: R-0931)

**LEGAL AUTHORITY:**

12 USC 32

**CFR CITATION:**

12 CFR Part 218

**ABSTRACT:**

In June 1996, the Board approved issuing for public comment a proposal to remove Regulation R from the Code of Federal Regulations and a Board interpretation that applies the interlocks prohibitions of section 32 of the Glass-Steagall Act to bank holding companies (61 FR 34749, July 3, 1996). Section 32 prohibits officer, director, and employee interlocks between member banks and firms "primarily engaged" in underwriting and dealing in securities. The Board proposed to remove Regulation R, since the sole purpose of the regulation currently is to restate the statutory provisions of section 32. In addition, because section 32 does not, by its terms, apply to bank holding companies, the Board proposed rescinding its interpretation applying section 32 to these companies. The Board expressed the view that rescinding the interpretation could give some measure of regulatory relief to bank holding companies and offer them access to a larger pool of persons from which to choose their officers, directors, and employees.

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. Following review of the public comments, the Board is expected to take further action within the next three months. The proposal is part of the Board's overall review of its regulations as required by section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994.

**TIMETABLE:**

**ACTION**

**DATE**

**FR CITE**

Board requested comment

07/03/96

61 FR 34749

Further Board action by

11/00/96

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

**AGENCY CONTACT:**

Thomas Corsi  
Senior Attorney  
Legal Division  
202 452-3275

16.

**TITLE:**

Regulation: U -- Credit by Banks for the Purpose of Purchasing or Carrying Margin Stocks (Docket Number: R-0905)

**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. In December 1995, the Board proposed amendments for public comment that would (1) reduce the regulatory burden associated with loans secured by margin stock and other collateral and (2) clarify the circumstances under which a bank may finance the purchase of customer securities bought on a cash basis at a broker-dealer (60 FR 63660, December 12, 1995). Comment was also invited on all other areas of the regulation. The proposals satisfy requirements under section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994.

In May 1996, the Board requested comment on Regulations G, T, and U (Docket Number R-0923, 61 FR 20399, May 6, 1996). The proposal includes a request for comment on the appropriate scope of Regulation U by soliciting views on the definition of "margin stock." Responses to the request will be considered as part of the periodic review of Regulation U.

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. 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 requested comment  
Further Board action by

12/12/95  
11/00/96

60 FR 63660

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

**AGENCY CONTACT:**

Scott J. Holz  
Senior Attorney  
Division of Banking Supervision and Regulation  
202 452-2781

**RIN:** 7100-AB65

17.

**TITLE:**

Regulation: V -- Loan Guarantees for Defense Production (Docket Number: R-0928)

**LEGAL AUTHORITY:**

50 App. USC 2061 et seq  
EO 12919  
EO 10789

**CFR CITATION:**

12 CFR 245

**ABSTRACT:**

In May 1996, as part of its regulatory review process mandated by section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994, the Board approved issuing for public comment a proposal to abolish its Regulation V as obsolete (61 FR 26471, May 28, 1996). Regulation V implements the loan guarantee provisions of Title III of the Defense Production Act of 1950, as amended (the Act), by setting forth applicable procedures, forms, fees, charges, and rates of interest for such loan guarantees. In 1975, amendments to the Act made the guarantee provisions obsolete for most practical purposes, but the loan guarantee provisions were not deleted. No loan guarantees are currently outstanding and no applications for loan guarantees have been filed for several years. The proposal seeks to eliminate an obsolete regulatory provision and does not impose any substantial economic burden on small entities.

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

**TIMETABLE:**

**ACTION**

**DATE**

**FR CITE**

Board requested comment  
Further Board action by

05/28/96  
10/00/96

61 FR 26471

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

**AGENCY CONTACT:**

Heatherun Allison  
Attorney  
Legal Division  
202 452-3565

18.

**TITLE:**

Regulation: Y -- Bank Holding Companies and Change in Bank Control (Docket Number: R-0935)

**LEGAL AUTHORITY:**

- 12 USC 1841 et seq
- 12 USC 3106
- 12 USC 3108
- 12 USC 1817(j) (13)
- 12 USC 1818(b)

**CFR CITATION:**

12 CFR 225

**ABSTRACT:**

In August 1996, the Board approved issuing for public comment a comprehensive revision of Regulation Y that is intended to improve the competitiveness of bank holding companies by eliminating unnecessary regulatory burden and operating restrictions and by streamlining the application/notice process (61 FR 47241, September 6, 1996). The proposal is also part of the Board's overall review of its regulations as required by section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994. Among other revisions, the Board proposed to establish a streamlined and expedited review process for bank and nonbanking proposals by well-run bank holding companies. The Board also proposed to reorganize and expand the regulatory list of nonbanking activities and to remove a number of restrictions on those activities that are outmoded, have been superseded by Board order, or do not apply to insured banks that conduct the same activity. In addition, the Board proposed several amendments to the tying restrictions, including removal of the regulatory extension of those restrictions to bank holding companies and their nonbank subsidiaries. A number of other changes have also been proposed to eliminate unnecessary regulatory burden and to streamline and modernize Regulation Y, including changes to the provisions implementing the Change in Bank Control Act and section 914 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989.

It is expected that the numerous changes proposed will result in a significant reduction in regulatory filings, in the paperwork burden and processing time associated with regulatory filings, and in the costs associated with complying with regulation, thereby improving the ability of all bank holding companies, including small organizations, to conduct business on a more cost-efficient basis. The Board specifically invited public comment on this aspect of the proposed revisions. Following review of the public comments, the Board is expected to take further action in early 1997.

**TIMETABLE:**

**ACTION**

**DATE**

**FR CITE**

Board requested comment  
Further Board action by

09/06/96  
03/00/97

61 FR 47241

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

**TITLE:**

Regulation: Y -- Bank Holding Companies and Change in Bank  
Control (Docket Number: R-0935)

**AGENCY CONTACT:**

Diane A. Koonjy  
Senior Attorney  
Legal Division  
202 452-3274

19.

**TITLE:**

Regulation: CC -- Availability of Funds and Collection of Checks  
(Docket Number: R-0926)

**LEGAL AUTHORITY:**

12 USC 4001 et seq

**CFR CITATION:**

12 CFR 229

**ABSTRACT:**

As part of its regulatory review process mandated by section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994, the Board proposed clarifying and technical amendments to its Regulation CC in June 1996 (61 FR 27802, June 3, 1996). The proposed amendments, which do not represent any major policy changes, address a variety of check collection issues, including the treatment of deposits received at "contractual" branches (such as affiliate banks). A growing number of banks are asking for clarification of contractual branching issues with the advent of interstate banking. Many of the proposed amendments are designed to reduce the burden on banks of complying with the regulation. The amendments would apply to all depository institutions and are not likely 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 requested comment	06/03/96	61 FR 27802
	Further Board action by	12/00/96	

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

**AGENCY CONTACT:**

Stephanie Martin  
Senior Attorney  
Legal Division  
202 452-3198

20.

**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	12/00/96	

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

**RIN:** 7100-AB80

21.

**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 year-end.

<b>TIMETABLE:</b>	<b>ACTION</b>	<b>DATE</b>	<b>FR CITE</b>
	Board requested comment	01/03/95	60 FR 123
	Board adopted firm closing time	08/15/95	60 FR 42410
	Further Board action by	12/00/96	

**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

22.

**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 requested 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 year-end.

**TIMETABLE:**

<b>ACTION</b>	<b>DATE</b>	<b>FR CITE</b>
Board requested comment	08/15/95	60 FR 42413
Further Board action by	12/00/96	

**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

**RIN:** 7100-AC04

23.

**TITLE:**

Revenue Limit on Bank-Ineligible Activities of Subsidiaries of Bank Holding Companies Engaged in Underwriting and Dealing in Securities (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 for subsidiaries of bank holding companies engaged, to a limited extent, in underwriting and dealing in ineligible securities ("section 20 subsidiaries") (59 FR 35516, July 12, 1994). The current test limits to 10 percent of the total revenue of a section 20 subsidiary the revenue earned by the subsidiary from ineligible securities activities. 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 July 1996, the Board again sought public comment on this docket item proposing to retain a test based on revenue but raise from 10 percent to 25 percent the limit on revenue earned by a section 20 subsidiary from ineligible securities activities (61 FR 40643, August 5, 1996). The proposal would allow section 20 subsidiaries additional flexibility in the conduct of their securities operations and arises due to (1) the Board's increased experience in reviewing and monitoring the activities and operations of section 20 subsidiaries and (2) the Board's belief that changes in the product mix that section 20 subsidiaries are permitted to offer and developments in the securities markets have affected the relationship between revenue and activity. The proposal is not expected to 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.

**TIMETABLE:**

<b>ACTION</b>	<b>DATE</b>	<b>FR CITE</b>
Board requested comment	07/12/94	59 FR 35516
Board requested further comment	08/05/96	61 FR 40643
Further Board action by	12/00/96	

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

**TITLE:**

Revenue Limit on Bank-Ineligible Activities of Subsidiaries of  
Bank Holding Companies Engaged in Underwriting and Dealing in  
Securities (Docket Number: R-0841)

**AGENCY CONTACT:**

Thomas Corsi  
Senior Attorney  
Legal Division  
202 452-3275

**RIN:** 7100-AB82

24.

**TITLE:**

Review of Restrictions on Director and Employee Interlocks, Cross-Marketing Activities and the Purchase and Sale of Financial Assets (Docket Number: R-0701)

**LEGAL AUTHORITY:**

12 USC 1843(c)(8)

**CFR CITATION:**

None

**ABSTRACT:**

The Board is providing a second opportunity for public comment on proposed revisions to three of the prudential limitations established in its orders under section 4(c)(8) of the Bank Holding Company Act and section 20 of the Glass-Steagall Act that permit a nonbank subsidiary of a bank holding company to underwrite and deal in securities.

In August 1996, the Board proposed to ease or eliminate the following restrictions on these so-called section 20 subsidiaries: the prohibition on director, officer, and employee interlocks between a section 20 subsidiary and its affiliated banks or thrifts (the interlocks restriction); the restriction on a bank or thrift acting as agent for, or engaging in marketing activities on behalf of, an affiliated section 20 subsidiary (the cross-marketing restriction); and the restriction on the purchase and sale of financial assets between a section 20 subsidiary and its affiliated bank or thrift (the financial assets restriction) (61 FR System 40640, August 5, 1996).

The amendments are not likely to have a significant economic impact on a substantial number of small entities. Section 20 subsidiaries are generally established by the largest bank holding companies. However, it is hoped that the proposed revisions, if adopted, would reduce cost barriers for smaller bank holding companies considering establishment of a section 20 subsidiary. 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  
Further Board action by

08/05/96  
10/00/96

61 FR 40640

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

**AGENCY CONTACT:**

Gregory Baer  
Managing Senior Counsel  
Legal Division  
202 452-3236

25.

**TITLE:**

Rules Regarding Availability of Information (Docket Number:  
R-0917)

**LEGAL AUTHORITY:**

5 USC 552  
12 USC 248(i)  
12 USC 248(k)  
12 USC 321 et seq  
12 USC 611 et seq  
12 USC 1442  
12 USC 1817(a)(2)(A)  
12 USC 1817(a)(8)  
12 USC 1818(u)  
12 USC 1818(v)  
12 USC 1821(o)  
12 USC 1821(t)  
12 USC 1830  
12 USC 1844  
12 USC 1951 et seq

**CFR CITATION:**

12 CFR 261

**ABSTRACT:**

In February 1996, the Board issued for public comment proposed amendments to its Rules Regarding Availability of Information (61 FR 7436, February 28, 1996). The proposed amendments, although primarily technical in nature, are intended to improve the Board's efficiency in processing requests for the disclosure of publicly-available information as well as confidential supervisory information. It is not anticipated that the proposed amendments will have a significant economic impact on a substantial number of small entities subject to the regulation. Following review of the public comments, the Board is expected to take further action by year-end. The amendments are part of the Board's overall review of its regulations as required by section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994.

**TIMETABLE:**

<b>ACTION</b>	<b>DATE</b>	<b>FR CITE</b>
Board requested comment	02/28/96	61 FR 7436
Further Board action by	12/00/96	

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

**AGENCY CONTACT:**

Karen Appelbaum  
Attorney  
Legal Division  
202 452-3389

Section 3  
Completed Actions



26.

**TITLE:**

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

**LEGAL AUTHORITY:**

15 USC 1693b

**CFR CITATION:**

12 CFR 205

**ABSTRACT:**

In March 1996, following review of the public comments, the Board completed a review of Regulation E, which implements the Electronic Fund Transfer Act (61 FR 19661, May 2, 1996). The act and regulation establish 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 the institutions hold the consumer's account). The review was 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, updated, simplified, or otherwise revised. The amendments to Regulation E simplify, clarify, and update the regulation. Because the regulation closely parallels the statutory requirements, there were few substantive changes to the March 1994 proposal. Certain revisions expand the scope of exemptions from coverage to help reduce compliance burden. For example, the asset-size cutoff for a "small institution" exemption -- established by the regulation -- increased from \$25 million to \$100 million. Similarly, the regulatory exemption for securities transactions is broader in that it applies to transfers made through regulated brokers or dealers (or futures commission merchants) even if the security or commodity itself is not regulated (as in the case of municipal securities). The final regulation has been shortened by about fifteen percent, a reduction largely attributable to the deletion of obsolete provisions and to the transfer of explanatory material to the commentary. In addition, the staff commentary interpreting the regulation has been reformatted and significantly improved to facilitate compliance. The final rule is not expected to have a significant economic impact on small institutions. The amendments also are considered a part of the Board's overall review of its regulations as required by section 303 of the Reigle Community Development and Regulatory Improvement Act of 1994.

**TIMETABLE:**

<b>ACTION</b>	<b>DATE</b>	<b>FR CITE</b>
Board approved requesting comment	03/07/94	59 FR 10684
Board adopted final rule	05/02/96	61 FR 19661

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

**TITLE:**

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

**AGENCY CONTACT:**

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

**RIN:** 7100-AA77

27.

**TITLE:**

Regulation H -- Membership of State Banking Institutions in the Federal Reserve System (Docket Number: R-0897)

**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 for 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. In October 1995, the Board issued for public comment 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 (60 FR 53962, October 18, 1995). The proposal is part of the Board's overall review of its regulations as required by section 303 of the Riegle Community Development Regulatory Improvement Act of 1994. In August 1996, following review of the public comments, the Board adopted a final rule developed jointly with the banking agencies in substantially the form proposed (61 FR 45683 August 29, 1996). The rule is not expected to have a significant economic impact on small institutions.

**TIMETABLE:**

<b>ACTION</b>	<b>DATE</b>	<b>FR CITE</b>
Board requested comment	10/18/95	60 FR 53962
Board adoption proposal	08/29/96	61 FR 45683

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

**AGENCY CONTACT:**

Lawranne Stewart  
Senior Attorney  
Legal Division  
202 452-3513

**RIN:** 7100-AB86

28.

**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 requested public comment on proposed amendments to its risk-based capital guidelines for State member banks and bank holding companies to incorporate a measure for market risk in foreign exchange and commodity activities and in the trading of debt and equity instruments. In March 1996, the Board requested comment on a revision to its proposal that would clarify how the calculation of capital requirements would be adjusted based on back-testing of an institution's internal risk measurement model. These proposals were consistent with proposed international market risk standards and were developed jointly with the other Federal bank regulatory agencies. Following review of the public comments, the Board and the other agencies adopted a final rule on market risk in August 1996 (61 FR 47358, September 6, 1996). The final rule incorporates a revised version of the July 1995 proposal, consistent with revisions to international capital standards. The final rule requires an institution to calculate market risk capital requirements using its own internal risk measurement model and eliminates the proposed option of using a risk-weighting model developed by supervisors. The final rule incorporates the March 1996 proposal substantially as proposed.

In July 1995, the Board also requested comment on an alternative "pre-commitment" approach for setting market risk capital requirements. 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

**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)

**ABSTRACT CONT:**

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. Following review of the public comments, the Board did not take action on this proposal, but indicated that it may consider this approach as the market risk capital rules continue to evolve domestically and internationally.

The market risk capital rules will affect only institutions with relatively large trading activities and therefore will have little or no effect on small entities.

<b>TIMETABLE:</b>	<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
	Board adopted R-0884 proposal	09/06/96	61 FR 47358

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

**AGENCY CONTACT:**

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

**RIN:** 7100-AC01

29.

**TITLE:**

Regulation: K -- International Banking Operations (Docket Number: R-0916)

**LEGAL AUTHORITY:**

12 USC 3105(k)

**CFR CITATION:**

12 CFR 211

**ABSTRACT:**

In February 1996, the Board approved 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 (61 FR 6956, February 23, 1996). 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. In July 1996, following review of the public comments, the Board adopted the amendments in the form proposed (61 FR 39052, July 26, 1996). The proposal is part of the Board's overall review of its regulations as required by section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994.

**TIMETABLE:**

**ACTION**

**DATE**

**FR CITE**

Board requested comment

02/23/96

61 FR 6956

Board adopted proposal

07/26/96

61 FR 39052

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

**AGENCY CONTACT:**

Janet Crossen  
Senior Attorney  
Legal Division  
202 452-3281

**RIN:** 7100-AB88

30.

**TITLE:**

Regulation: K -- International Banking Operations (Docket Number: R-0911)

**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 (the Interstate Act) 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. In December 1995, the Board issued for public comment proposed rules concerning home state selection, removing certain outdated restrictions and making other changes needed to implement these statutory changes (60 FR 67100, December 28, 1995). Further, the Board requested comment on other issues raised for foreign banks under the Interstate Act. The proposals are part of the Board's overall review of its regulations as required by section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994.

In May 1996, following review of the public comments, the Board adopted the rules in substantially the form proposed (61 FR 24439, May 15, 1996). Other issues raised for foreign banks will be considered by the Board in its future review of the provisions of Regulation K concerning the interstate operation of foreign banks. It is not expected that the proposals will have a significant economic impact on a substantial number of small banks.

**TIMETABLE:**

<b>ACTION</b>	<b>DATE</b>	<b>FR CITE</b>
Board requested comment	12/28/95	60 FR 67100
Board adopted proposal	05/15/96	61 FR 24439

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

**AGENCY CONTACT:**

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

**RIN:** 7100-AB89

31.

**TITLE:**

Regulation: L -- Management Official Interlocks (Docket Number: R-0907)

**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 (CDRI Act) amended certain sections of DIMIA. In December 1995, the Board, along with the Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation, and Office of Thrift Supervision, issued for public comment a joint proposed rule (60 FR 67424, December 29, 1995); the National Credit Union Association issued an identical proposal. The proposed rule revises each agency's regulation implementing DIMIA to conform with the statutory changes set forth in section 338 and, in order to comply with section 303 of the CDRI Act, streamlines and modifies the regulations to improve efficiency, reduce unnecessary costs, and eliminate unwarranted constraints on credit availability.

In August 1996, following review of the public comments, the banking agencies adopted the rules substantially as proposed (61 FR 40293, August 2, 1996).

It is not anticipated that the final rule will have a significant impact on a substantial number of small institutions.

**TIMETABLE:**

**ACTION**

**DATE**

**FR CITE**

Board requested comment

12/29/95

60 FR 67424

Board adopted proposal

08/02/96

61 FR 40293

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

**AGENCY CONTACT:**

Tina Woo  
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202 452-3890

**RIN:** 7100-AB90



32.

**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. 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. The proposed rulemaking is included in the Board's overall review of its regulations as required by section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994.

On September 18, 1996, following review of the public comments, the Board adopted final amendments to Regulation M (Federal Register cite unavailable). The final rule contains many of the revisions that were proposed and makes further changes, some of them substantive.

Some of the changes--limited to motor vehicle leasing--include a statement alerting consumers about charges for terminating a lease early and disclosure of how scheduled periodic payments are derived (shown as a mathematical progression). A lessor would not be required to disclose a lease charge or the cost of a lease expressed as a rate, but if it chose to disclose or advertise a rate, the lessor would have to include a statement cautioning the consumer not to rely on the rate alone and that the rate should be used in conjunction with other cost disclosures. The final rule makes changes in the format for providing disclosures; certain items would be segregated from other information to draw consumers' attention. In addition, the final rule contains revisions that implement a statutory amendment and that make other changes to the advertising provisions. The statutory amendment allows a toll-free telephone number or a print advertisement to substitute for certain lease disclosures in radio commercials; the final rule expands the application of this provision to television advertising.

It is not anticipated that the revisions will have a significant economic impact on a substantial number of small entities.

**TIMETABLE:**

<b>ACTION</b>	<b>DATE</b>	<b>FR CITE</b>
Board approved requesting comment	11/19/93	58 FR 61035
Board approved issuance of a proposed rule	09/20/95	60 FR 48752
Comment period extended to 2/15/96	12/06/95	60 FR 62349
Board adopted revisions	09/18/96	

**TITLE:**

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

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

**AGENCY CONTACT:**

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202 452-2412

**RIN:** 7100-AB74

33.

**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. Following review of the public comments, the Treasury and the Board adopted the rule as proposed (61 FR 14383, April 1, 1996). These amendments will not have a significant adverse economic impact on small institutions.

**TIMETABLE:**

<b>ACTION</b>	<b>DATE</b>	<b>FR CITE</b>
Board requested comment	08/24/95	60 FR 44144
Board adopted proposal	04/01/96	61 FR 14383

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

**TITLE:**

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

**AGENCY CONTACT:**

Elaine Boutilier  
Senior Counsel  
Legal Division  
202 452-2418

**RIN:** 7100-AC03

34.

**TITLE:**

Regulation: S -- Reimbursement for Providing Financial Records;  
Recordkeeping Requirements for Certain Financial Records (Docket  
Number: R-0906)

**LEGAL AUTHORITY:**

12 USC 3415

**CFR CITATION:**

12 CFR 219

**ABSTRACT:**

In December 1995, the Board requested public comment on a revision to subpart A of Regulation S, which implements the requirement under the Right to Financial Privacy Act (RFPA) that the Board establish the rates and conditions under which payment shall be made by a government authority to a financial institution for providing financial records pursuant to RFPA (60 FR 65599, December 20, 1995). The proposed amendments update the fees to be charged and reflect statutory changes in the exemptions. Also, as part of the overall review of its regulations as required by section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994, the Board has streamlined the regulation by eliminating unnecessary provisions. In June 1996, following review of the public comments, the Board adopted a revised rule with further revisions in the fee schedule (61 FR 29638, June 12, 1996). It is not anticipated that the proposal will have a significant adverse economic impact on small institutions.

**TIMETABLE:**

<b>ACTION</b>	<b>DATE</b>	<b>FR CITE</b>
Board requested comment	12/20/95	60 FR 65599
Board adopted proposal	06/12/96	61 FR 29638

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

**AGENCY CONTACT:**

Elaine M. Boutilier  
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Legal Division  
202 452-2418

**RIN:** 7100-AC10

35.

**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). In May 1996, following review of the public comments, the Board took final action on many of the proposed amendments (61 FR 20386, May 6, 1996). At the same time, the Board solicited comment on additional proposals concerning Regulation T, as well as Regulations G and U, the margin regulations applicable to banks and lenders other than brokers and dealers (Docket Number R-0923). The final rule eliminates restrictions on the ability of broker-dealers to arrange for credit; increases the type and number of domestic and foreign securities that may be bought on margin and increases the loan value of some securities that are already marginable; deletes Board rules, effective June 1, 1997, regarding options transactions in favor of the rules of the options exchanges; and reduces restrictions on transactions involving foreign persons, foreign securities, and foreign currency.

It is not anticipated that the revisions will have a significant economic impact on the overall lending activities of a substantial number of small brokerage firms.

The proposal has been included in the Board's overall review of its regulations as required by section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994.

**TIMETABLE:**

<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
Board adopted amendments	05/06/96	61 FR 20386

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

**TITLE:**

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

**AGENCY CONTACT:**

Scott Holz  
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202 452-2781

**RIN:** 7100-AB28

36.

**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).

In August 1996, following review of the public comments, the Board adopted the amendment substantially as proposed, except that the Board determined to refrain from imposing a general requirement that a bank holding company disclose to its fiduciary customers that it may acquire for them shares of an investment company for which the bank holding company serves as investment advisor (61 FR 45873, August 30, 1996). The Board concluded that existing disclosure requirements are generally sufficient to ensure that fiduciary customers are aware of potential conflicts of interest that may arise from this activity.

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

**TIMETABLE:**

<b>ACTION</b>	<b>DATE</b>	<b>FR CITE</b>
Board requested comment	12/30/94	59 FR 67654
Board adopted proposal	08/30/96	61 FR 45873



**TITLE:**

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

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

**AGENCY CONTACT:**

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Senior Attorney  
Legal Division  
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**RIN:** 7100-AB95

37.

**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, the Board approved for public comment a notice of proposed rulemaking for IRR. Following review of the public comments, 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).

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 described a measurement framework comprised of exemption screens, a supervisory model, and use of a bank's own internal model. Based on continued concerns expressed by the industry in their comment letters and the numerous difficulties the agencies encountered in trying to develop and implement a standardized measure with an appropriate balance between accuracy and burden, the agencies decided not to adopt a standard measure.

Instead, the agencies decided that sound practices guidance could more appropriately address safety and soundness concerns and provide the industry with greater flexibility in measuring and

**TITLE:**

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

**ABSTRACT CONT:**

managing interest rate risk. In May 1996, following review of the public comments, the Board approved a joint agency policy statement providing guidance to banks on sound practices to be followed for managing interest rate risk (61 FR 33166, June 26, 1996).

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.

<b>TIMETABLE:</b>	<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
	Board approved Joint Agency Policy Statement	06/26/96	61 FR 33166

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

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 Division of Banking Supervision and Regulation  
 202 452-5249

**RIN:** 7100-AB50

38.

**TITLE:**

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

**LEGAL AUTHORITY:**

12 USC 504  
12 USC 554-557  
12 USC 248  
12 USC 324  
12 USC 505  
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. In May 1996, following review of the public comments, the Board and the other banking agencies adopted the amendments substantially in the form proposed (61 FR 20338, May 6, 1996). This proposal has been included in the Board's overall review of its regulations as required by section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994.

**TIMETABLE:**

**ACTION**

**DATE**

**FR CITE**

Board requested comment

06/23/95

60 FR 32882

Board adopted proposal

05/06/96

61 FR 20338

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

**AGENCY CONTACT:**

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**RIN:** 7100-AC05

39.

**TITLE:**

Section 23A of the Federal Reserve Act (Docket Number: R-0902)

**LEGAL AUTHORITY:**

12 USC 248(i)  
12 USC 371c(e)

**CFR CITATION:**

12 CFR Part 250.242

**ABSTRACT:**

Section 23A of the Federal Reserve Act regulates certain transactions between insured depository institutions and their affiliates. In general, it prohibits insured depository institutions from engaging in covered transactions with a single affiliate in excess of 10 percent of the institution's capital stock and surplus (aggregately, the limit is 20 percent). Section 23A does not, however, include a definition of capital stock and surplus.

In November 1995, the Board issued for public comment a proposal that would define capital stock and surplus for section 23A as Tier 1 and Tier 2 capital plus the balance of the allowance for loan and lease losses (60 FR 62050, December 4, 1995). In April 1996, following review of the public comments, the Board adopted a definition of capital stock and surplus for section 23A essentially as proposed (61 FR 19805, May 3, 1996). The definition became effective as of July 1, 1996. It is consistent with the definition of capital and surplus in Regulation O and with the definition used by the Office of the Comptroller of the Currency for national bank lending limits.

It is not expected that the definition will have a significant adverse economic impact on a substantial number of small institutions.

**TIMETABLE:**

<b>ACTION</b>	<b>DATE</b>	<b>FR CITE</b>
Board requested comment	12/04/95	60 FR 62050
Board adopted proposal	05/03/96	61 FR 19805

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

**AGENCY CONTACT:**

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**RIN:** 7100-AC08

40.

**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. After considering the public's comments, a notice of proposed rulemaking was issued for comment that contained broad principle-based standards that leave the method for meeting such standards largely in the province of management. 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, the Board adopted a final rule and guidelines for section 132 taking into account these changes.

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 adopted the asset quality and earnings guidelines substantially as proposed (61 FR 43948, August 27, 1996). The safety and soundness guidelines were completed as part of the Board's overall review of Regulation H as required by section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994.

**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
Board adopted asset quality and earnings guidelines	08/27/96	61 FR 43948

**TITLE:**

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

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

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