

**Federal Reserve System (FRS)**

**FEDERAL RESERVE SYSTEM**

**12 CFR Ch. II**

**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, 1999, through April 1, 2000. The next agenda will be published in April 2000.

**DATES:** Comments about the form or content of the agenda may be submitted any time during the next 6 months.

**ADDRESSES:** Comments should be addressed to Jennifer J. Johnson, 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 1999 agenda as part of the October 1999 Unified Agenda of Federal Regulatory and Deregulatory Actions, which is coordinated by the Office of Management and Budget under Executive Order 12866. The Agenda also identifies rules the Board has selected for review under section 610(c) of the Regulatory Flexibility Act, and public comment is invited on those

entries. 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 6 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.

**Barbara R. Lowrey,**  
*Associate Secretary of the Board.*

**Proposed Rule Stage**

Sequence Number	Title	Regulation Identification Number
4485	Regulation: C — Home Mortgage Disclosure (Docket Number: R-1001) .....	7100-AC51
4486	Regulation: T — Credit by Brokers and Dealers; Regulation: U — Credit by Banks; and Regulation: X — Borrowers of Securities Credit (Docket Number: R-0995) .....	7100-AC45
4487	Section 303 Regulatory Review ( <b>Section 610 Review</b> ) .....	7100-AC09

**Final Rule Stage**

Sequence Number	Title	Regulation Identification Number
4488	Regulation: B — Equal Credit Opportunity (Docket Number: R-1008) ( <b>Section 610 Review</b> ) .....	7100-AC54
4489	Regulation: B — Equal Credit Opportunity; and Regulation: Z — Truth in Lending (Docket Numbers: R-1040 and R-1043) .....	7100-AC46
4490	Regulation: D — Reserve Requirements of Depository Institutions (Docket Number: R-0956) .....	7100-AC11
4491	Regulation: E — Electronic Fund Transfers (Docket Numbers: R-0919 and R-1041) .....	7100-AC06
4492	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-0930) .....	7100-AC13
4493	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-0985) .....	7100-AB77
4494	Regulation: K — International Banking Operations (Docket Number: R-0994) .....	7100-AC47
4495	Regulation: L — Management Official Interlocks (Docket Number: R-1013) .....	7100-AC56
4496	Regulation: M — Consumer Leasing (Docket Number: R-1042) .....	7100-AC53
4497	Regulation: CC — Availability of Funds and Collection of Checks (Docket Number: R-1034) .....	7100-AC60
4498	Regulation: DD — Truth in Savings (Docket Number: R-1044) .....	7100-AC34
4499	Applicability of Sections 23A and 23B of the Federal Reserve Act to Transactions Between a Member Bank and Its Subsidiaries (Docket Number: R-0977) .....	7100-AC42
4500	Applicability of Section 23A to the Purchase of Securities from Certain Affiliates and to Loans and Extensions of Credit Made by a Member Bank to a Third Party (Docket Nos: R-1015 & R-1016) .....	7100-AC52
4501	Rules Regarding Availability of Information (Docket Number: R-0917) .....	7100-AC22

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Completed Actions

Sequence Number	Title	Regulation Identification Number
4502	Regulation: H — Membership of State Banking Institutions in the Federal Reserve System (Docket Number: R-0950) .....	7100-AC14
4503	Regulation: H — Membership of State Banking Institutions; Regulation: K — International Banking Operations; and Regulation: Y — Bank Holding Companies (Docket Number: R-1019) .....	7100-AC59
4504	Regulation: H — Membership of State Banking Institutions in the Federal Reserve System; and Regulation: Y — Bank Holding Companies and Change in Bank Control (Docket No: R-0947 & R-0948) .....	7100-AC29
4505	Regulation: CC — Availability of Funds and Collection of Checks (Docket Number: R-1027) .....	7100-AC58
4506	Regulation: CC — Availability of Funds and Collection of Checks (Docket Number: R-1031) .....	7100-AC57

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Proposed Rule Stage

**4485. REGULATION: C — HOME MORTGAGE DISCLOSURE (DOCKET NUMBER: R-1001)**

**Priority:** Substantive, Nonsignificant

**Legal Authority:** 12 USC 2801

**CFR Citation:** 12 CFR 203

**Legal Deadline:** None

**Abstract:** In March 1998, pursuant to requirements of section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994 and section 2222 of the Economic Growth and Regulatory Paperwork Reduction Act of 1996, the Board approved issuing for public comment an advance notice of proposed rulemaking for Regulation C, which implements the Home Mortgage Disclosure Act (HMDA) (63 FR 12329, March 12, 1998). Regulation C requires most mortgage lenders located in metropolitan statistical areas to report annually to Federal agencies and disclose to the public information about their home purchase and home improvement lending activity. The review will determine whether Regulation C should be revised to address technological and other developments; better balance consumer protections and industry burden; and delete obsolete provisions. To gather information necessary for this review and to ensure the participation of interested parties, the Board solicited comment on several specific issues, while also soliciting comment generally on potential revisions to the regulation.

It is not anticipated that any proposed notice of rulemaking would 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 during the fourth quarter of 1999.

**Timetable:**

Action	Date	FR Cite
Board requested comment	03/12/98	63 FR 12329
Further Board action by	11/00/99	

**Regulatory Flexibility Analysis Required:** Undetermined

**Government Levels Affected:** None

**Agency Contact:** Jane Jensen Gell, Senior Attorney, Federal Reserve System, Division of Consumer and Community Affairs  
Phone: 202 452-3667

**RIN:** 7100-AC51

**4486. REGULATION: T — CREDIT BY BROKERS AND DEALERS; REGULATION: U — CREDIT BY BANKS; AND REGULATION: X — BORROWERS OF SECURITIES CREDIT (DOCKET NUMBER: R-0995)**

**Priority:** Substantive, Nonsignificant

**Legal Authority:** 15 USC 78G, Securities Exchange Act of 1934, as amended

**CFR Citation:** 12 CFR 220; 12 CFR 221; 12 CFR 224

**Legal Deadline:** None

**Abstract:** As part of the regular review of its regulations and in accordance with requirements of section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994 and section 610(c) of the Regulatory

Flexibility Act of 1994, the Board is conducting a review of its margin regulations. In order to complete this review, the Board approved issuing for public comment an advance notice of proposed rulemaking and request for comment in December 1997 (63 FR 2840, January 16, 1998). The advance notice highlights issues raised by commenters in response to previous requests for comment that had not been addressed by the Board in the course of its periodic review. It also provides an opportunity to further harmonize the treatment of bank and nonbank lenders under the revised Regulation U adopted by the Board at the same time as the advance notice. The advance notice also invites comment on all areas of the regulations.

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	01/16/98	63 FR 2840
Further Board action by	02/00/00	

**Regulatory Flexibility Analysis Required:** Undetermined

**Government Levels Affected:** None

**Agency Contact:** Scott Holz, Counsel, Federal Reserve System, Legal Division  
Phone: 202 452-2966

**RIN:** 7100-AC45

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## Proposed Rule Stage

**4487. SECTION 303 REGULATORY REVIEW (SECTION 610 REVIEW)****Priority:** Substantive, Nonsignificant**Legal Authority:** 12 USC 4803(a)(1); 5 USC 610**CFR Citation:** 12 CFR ch II**Legal Deadline:** Other, Statutory, September 23, 1996, Progress Report due to Congress.

**Abstract:** In response to the requirements of section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994, as modified by section 402 of the Credit Union Membership Access Act of 1998, 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). Progress reports were sent to the Congress in September 1996 and August 1999. Within the next twelve months, it is expected that the Board will seek public comment during the course of the reviews of the regulations/policy statements/other regulatory guidance listed below. Reviews already proposed for public comment appear elsewhere in the Agenda.

Items below indicated with an asterisk will also be reviewed by the Board in accordance with the periodic review requirements of section 610 of the Regulatory Flexibility Act:

Regulations H and Y, Appendices, Capital Adequacy Guidelines.

\*Regulation Z, Truth in Lending.

\*Regulation DD, Truth in Savings.

**Timetable:**

Action	Date	FR Cite
Board action expected during the next twelve months	08/00/00	

**Regulatory Flexibility Analysis Required:** Undetermined**Government Levels Affected:** None

**Agency Contact:** Barbara R. Lowrey, Associate Secretary, Federal Reserve System, Office of the Secretary  
Phone: 202 452-3742

**RIN:** 7100-AC09

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## Final Rule Stage

**4488. REGULATION: B — EQUAL CREDIT OPPORTUNITY (DOCKET NUMBER: R-1008) (SECTION 610 REVIEW)****Priority:** Substantive, Nonsignificant**Legal Authority:** 15 USC 1691**CFR Citation:** 12 CFR 202**Legal Deadline:** None

**Abstract:** In March 1998, pursuant to requirements of section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994, section 610(c) of the Regulatory Flexibility Act of 1994 and section 2222 of the Economic Growth and Regulatory Paperwork Reduction Act of 1996, the Board approved issuing for public comment an advance notice of proposed rulemaking for Regulation B (63 FR 12326, March 12, 1998) which implements the Equal Credit Opportunity Act (ECOA). The ECOA makes it unlawful for creditors to discriminate against an applicant in any aspect of a credit transaction on the basis of race, color, religion, national origin, gender, marital status, age, and other specified bases.

In June 1999, following review of the public comments on the advance notice, the Board approved for public comment a proposed rule amending Regulation B (64 FR 44582, August 16,

1999). Major revisions in the proposal include removing the general prohibition against obtaining information about applicant characteristics such as national origin or gender, although such information still generally may not be considered in extending credit; adding a disclosure requirement for creditors that voluntarily collect data on applicant characteristics; requiring creditors to retain certain records for preapproved credit solicitations; and extending the record retention period for most business credit applications.

Based on the regulatory flexibility analysis, it is not expected that the proposal will have a significant impact on small entities. Although there would be a new disclosure requirement for creditors that voluntarily request information about applicant characteristics, a model form is proposed to ease compliance. Also, there is a new requirement to retain certain records for preapproved credit solicitations. For business reasons, many institutions already retain some of the preapproved credit solicitation information being sought. In addition, compliance burdens should be minimized by the fact that creditors may use a variety of methods, such as electronic storage, to retain records.

Following review of the public comments, the Board is expected to take further action in the first quarter of 2000.

**Timetable:**

Action	Date	FR Cite
Board requested comment on advance notice	03/12/98	63 FR 12326
Board requested comment on proposed rule	08/16/99	64 FR 44582
Further Board action by	03/00/00	

**Regulatory Flexibility Analysis Required:** Yes**Small Entities Affected:** Businesses**Government Levels Affected:** None

**Agency Contact:** Natalie E. Taylor, Staff Attorney, Federal Reserve System, Division of Consumer and Community Affairs  
Phone: 202 452-2412

**RIN:** 7100-AC54

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Final Rule Stage

**4489. REGULATION: B — EQUAL CREDIT OPPORTUNITY; AND REGULATION: Z — TRUTH IN LENDING (DOCKET NUMBERS: R-1040 AND R-1043)****Priority:** Substantive, Nonsignificant**Legal Authority:** 15 USC 1601 et seq; 12 USC 4301 et seq**CFR Citation:** 12 CFR 202; 12 CFR 213; 12 CFR 226; 12 CFR 230**Legal Deadline:** None

**Abstract:** In March 1998, the Board issued for public comment proposals to amend its consumer regulations, B (Equal Credit Opportunity) and Z (Truth in Lending), to permit electronic communications to substitute generally for oral or written disclosures documentation and notices required under the individual regulations (63 FR 14548, March 25, 1998). Comment was also requested on similar amendments to Regulations M (Consumer Leasing) and DD (Truth in Savings) described in separate entries in the Agenda (see Docket Numbers: R-1042 and R-1044). At the same time, similar amendments to Regulation E, proposed as 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, were adopted as an interim rule (Docket Number: R-1002; RIN: 7100-AC06). The Board identified the use of electronic communication between consumers and financial institutions as an area that offered an opportunity to reduce regulatory compliance burden without adversely affecting consumer protections.

In August 1999, based on comments received in response to the March proposals, the Board approved publishing for comment additional proposals on electronic communications to provide more detailed guidance on using electronic communications to deliver disclosures to consumers and others. Following review of the public comments, the Board is expected to take further action within the next six months. It is not anticipated that the proposals would have a significant economic impact on small institutions.

**Timetable:**

Action	Date	FR Cite
Board requested comment	03/25/98	63 FR 14548

Action	Date	FR Cite
Board approved publishing additional proposal on electronic communications	09/14/99	64 FR 46988

Further Board action by	02/00/00	
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**Regulatory Flexibility Analysis Required:** No**Government Levels Affected:** None**Agency Contact:** Michael Hentrel, Attorney, Federal Reserve System, Division of Consumer and Community Affairs  
Phone: 202 452-2412**RIN:** 7100-AC46**4490. REGULATION: D — RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS (DOCKET NUMBER: R-0956)****Priority:** Substantive, Nonsignificant**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 204**Legal Deadline:** None

**Abstract:** In December 1996, the Board issued for public comment a proposed rule that would revise and clarify the definition of "savings deposit" consistent with comments received in connection with the Board's June 1996 proposal to simplify Regulation D. The proposal would also make conforming changes to the definition of "transaction account" (61 FR 96054, December 31, 1996). No substantive change in the regulation is intended. It is not expected that the proposal will have a significant adverse impact upon a substantial number of small entities. Following review of the public comments, the Board is expected to take further action within the next year.

**Timetable:**

Action	Date	FR Cite
Board requested comment	12/31/96	61 FR 69054
Further Board action by	08/00/00	

**Regulatory Flexibility Analysis Required:** No**Government Levels Affected:** None**Agency Contact:** Rick Heyke, Senior Attorney, Federal Reserve System, Legal Division

Phone: 202 452-3688

**RIN:** 7100-AC11**4491. REGULATION: E — ELECTRONIC FUND TRANSFERS (DOCKET NUMBERS: R-0919 AND R-1041)****Priority:** Substantive, Nonsignificant**Legal Authority:** 15 USC 1693 et seq**CFR Citation:** 12 CFR 205**Legal Deadline:** None

**Abstract:** In May 1996, the Board issued for public comment proposed amendments to Regulation E imposing modified requirements on stored-value products in systems that track individual transactions, cards, or consumers and providing an exemption for cards on which a maximum value of \$100 can be stored (Docket Number: R-0919; 61 FR 19696, May 2, 1996).

The Board also proposed, and subsequently adopted in September 1998, an extension of the error resolution time limits for new accounts. The proposal also included permitting electronic communications to substitute generally for oral or written disclosures, documentation, and notices required under Regulation E.

The proposals were 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 and section 610(c) of the Regulatory Flexibility Act of 1994. It is not expected that the proposals would have a significant economic impact on small institutions.

In March 1998, following review of the public comments, the Board issued an interim rule, with request for comments, to permit electronic communications to substitute for disclosures, documentation, and notices under Regulation E (Docket Number: R-1002; 63 FR 14528, March 25, 1998).

In August 1999, based on public comments received, the Board approved publishing an additional proposal for comment on the electronic communications rule to provide more detailed guidance on the use of electronic communications to deliver disclosures to consumers. The interim rule remains in effect until Board consideration of a final rule. Following

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review of the public comments, the Board is expected to take further action within the next six months. Action on the stored-value card amendment is expected by year-end.

**Timetable:**

Action	Date	FR Cite
Board requested comment	05/02/96	61 FR 19696
Board adopted interim rule on electronic communications	03/25/98	63 FR 14528
Board adopted final rule on new accounts	09/29/98	63 FR 52115
Board approved publishing additional proposal on electronic communications	09/14/99	64 FR 49699
Further Board action by	12/00/99	

**Regulatory Flexibility Analysis**

**Required:** No

**Government Levels Affected:** None

**Agency Contact:** John C. Wood, Senior Attorney, Federal Reserve System, Division of Consumer and Community Affairs

Phone: 202 452-2412

**RIN:** 7100-AC06

**4492. 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-0930)**

**Priority:** Substantive, Nonsignificant

**Legal Authority:** 12 USC 36; 12 USC 248(a); 12 USC 248(c); 12 USC 321 to 338a; 12 USC 371d; 12 USC 461; 12 USC 481 to 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 app A

**Legal Deadline:** None

**Abstract:** In August 1996, the Board issued 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 risk weight. 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 and development of an interagency final rule, the Board is expected to take further action by year-end.

**Timetable:**

Action	Date	FR Cite
Board requested comment	08/16/96	61 FR 42565
Further Board action by	12/00/99	

**Regulatory Flexibility Analysis**

**Required:** No

**Government Levels Affected:** None

**Agency Contact:** John Connolly, Supervisory Financial Analyst, Federal Reserve System, Division of Banking Supervision and Regulation  
Phone: 202 452-3621

**RIN:** 7100-AC13

**4493. 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-0985)**

**Priority:** Substantive, Nonsignificant

**Legal Authority:** 12 USC 36; 12 USC 248(a); 12 USC 248(c); 12 USC 321 to 338; 12 USC 371d; 12 USC 461; 12 USC 481 to 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

**Legal Deadline:** None

**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). 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.

Subsequent to the issuance of this proposal, the Board issued a regulation limiting 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 (60 FR 8177, February 13 1995).

In November 1997, the Board requested public comment on a revised proposal that sets forth the definitions and capital treatments discussed above (62 FR 59944, November 5, 1997). In addition, the proposal requests comment on several alternative approaches to assessing capital against

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asset securitizations, including the use of internal bank information.

Small entities would be affected by the final rule and the two proposals only to the extent that they engage in extending recourse arrangements and direct credit substitutes or purchasing asset-backed securities. It is not expected that the proposals will have a significant economic impact on small institutions. Following review of the public comments, the Board is expected to take further action in the fall of 1999.

**Timetable:**

Action	Date	FR Cite
Board requested comment	05/25/94	59 FR 27115
Board adopted one aspect of the proposal	02/13/95	60 FR 8177
Board requested comment on a revised proposal	11/05/97	62 FR 59944
Further Board action by	11/00/99	

**Regulatory Flexibility Analysis****Required:** No**Government Levels Affected:** None

**Agency Contact:** Thomas R. Boemio, Senior Supervisory Financial Analyst, Federal Reserve System, Division of Banking Supervision and Regulation  
Phone: 202 452-2982

**RIN:** 7100-AB77**4494. REGULATION: K — INTERNATIONAL BANKING OPERATIONS (DOCKET NUMBER: R-0994)**

**Priority:** Substantive, Nonsignificant. Major under 5 USC 801.

**Legal Authority:** 12 USC 221 et seq; 12 USC 248(i); 12 USC 248(k); 12 USC 1818; 12 USC 1835a; 12 USC 1841 et seq; 12 USC 3101 et seq; 12 USC 3109 et seq

**CFR Citation:** 12 CFR 211**Legal Deadline:** None

**Abstract:** In December 1997, consistent with section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994, the International Banking Act of 1978, and section 2222 of the Economic Growth and Regulatory Paperwork Reduction Act of 1996, the Board reviewed and proposed for public comment a number of changes to

Regulation K, which governs international banking operations (62 FR 68424, December 31, 1997). Subpart A of Regulation K governs the foreign investments and activities of all member banks. The proposed amendments include streamlined foreign branching procedures for U.S. banking organizations, authorization of expanded activities in foreign branches of U.S. banks, and expansion of the authority of U.S. banking organizations to engage in equity dealing and underwriting and to make venture capital investments outside the United States. Subpart B of Regulation K governs the U.S. activities of foreign banking organizations. The proposed amendments include revisions aimed at streamlining the applications procedures applicable to foreign banks seeking to expand operations in the United States, changes to provisions regarding the qualification of certain foreign banking organizations for exemption from the nonbanking prohibitions of section 4 of the Bank Holding Company Act, and implementation of provisions of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 that affect foreign banks. In addition, a number of technical and clarifying amendments to subparts A and B, as well as to subpart C which governs export trading companies, and certain amendments to the Board's Rules Regarding Delegation of Authority have been proposed.

The proposed amendments are 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:**

Action	Date	FR Cite
Board requested comment	12/31/97	62 FR 68424
Further Board action by	12/00/99	

**Regulatory Flexibility Analysis****Required:** No**Government Levels Affected:** None

**Agency Contact:** Kathleen M. O'Day, Associate General Counsel, Federal Reserve System, Legal Division  
Phone: 202 452-3786

**RIN:** 7100-AC47**4495. REGULATION: L — MANAGEMENT OFFICIAL INTERLOCKS (DOCKET NUMBER: R-1013)****Priority:** Substantive, Nonsignificant**Legal Authority:** 12 USC 3201 et seq**CFR Citation:** 12 CFR 212**Legal Deadline:** None

**Abstract:** In August 1998, the Board, along with the other Federal depository institution regulatory agencies, approved issuing for public comment a proposal to amend regulations, including the Board's Regulation L, governing depository institution management interlocks to reflect certain statutory changes (63 FR 43051, August 11, 1998). In addition to implementing these statutory changes, the agencies also proposed a small market share exemption for institutions that, on a combined basis, control less than 20 percent of the deposits in a community or relevant metropolitan statistical area. The exemption is intended to enlarge the pool of management talent upon which depository institutions may draw and thereby enhance the competitiveness of these institutions.

It is not anticipated that the proposal will have a significant 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 two months.

**Timetable:**

Action	Date	FR Cite
Board requested comment	08/11/98	63 FR 43051
Further Board action by	11/00/99	

**Regulatory Flexibility Analysis****Required:** No**Government Levels Affected:** None

**Agency Contact:** Thomas Corsi, Senior Counsel, Federal Reserve System, Legal Division  
Phone: 202 452-3275

**RIN:** 7100-AC56**4496. REGULATION: M — CONSUMER LEASING (DOCKET NUMBER: R-1042)****Priority:** Substantive, Nonsignificant**Legal Authority:** 15 USC 1667**CFR Citation:** 12 CFR 213

**Legal Deadline:** None

**Abstract:** As part of the Board's overall review of its regulations under section 610(c) of the Regulatory Flexibility Act of 1994 and section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994, the Board determined that the use of electronic communications to deliver information to consumers that is required by Federal consumer financial services and fair lending laws could effectively reduce regulatory compliance burden without adversely affecting consumer protections. In March 1998, the Board approved issuing for public comment a proposal to amend Regulation M that would allow lessors to deliver by electronic communication the disclosures required by the Consumer Leasing Act and the Board's regulation, if the consumer agrees to such delivery (63 FR 14538, March 25, 1998). In addition, the proposal contained several technical amendments that were subsequently adopted in September 1998. In August 1999, based on public comments received in response to the March proposal, the Board approved publishing an additional proposal for comment to provide more detailed guidance on the use of electronic communications to deliver disclosures to consumers.

It is not anticipated that the rule will have any significant impact on small entities. The rule relieves compliance burden and gives lessors flexibility in providing disclosures. 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	03/25/98	63 FR 14538
Board adopted technical amendments	09/29/98	63 FR 52107
Board approved publishing additional proposal on electronic communications	09/14/99	64 FR 49713
Further Board action by	02/00/00	

**Regulatory Flexibility Analysis Required:** No

**Government Levels Affected:** None

**Agency Contact:** Kyung Cho-Miller, Staff Attorney, Federal Reserve System,

Division of Consumer and Community Affairs  
Phone: 202 452-2412  
**RIN:** 7100-AC53

**4497. • REGULATION: CC — AVAILABILITY OF FUNDS AND COLLECTION OF CHECKS (DOCKET NUMBER: R-1034)**

**Priority:** Substantive, Nonsignificant

**Legal Authority:** 12 USC 4001 et seq

**CFR Citation:** 12 CFR 229

**Legal Deadline:** None

**Abstract:** In February 1999, the Board requested public comment on options for amending provisions in Regulation CC governing when paying or returning banks may send notices in lieu of returning the original checks (64 FR 9105, February 24, 1999). The proposal is intended to provide more flexibility to check system participants to experiment with methods to return checks electronically without causing significant burden to depository institutions. The proposal would affect all depository institutions, regardless of size, who participate in the check collection system, and public comment has specifically been requested on the burdens associated with certain aspects of the proposal.

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	02/24/99	64 FR 9105
Further Board action by	11/00/99	

**Regulatory Flexibility Analysis Required:** Undetermined

**Government Levels Affected:** None

**Agency Contact:** Stephanie Martin, Managing Senior Counsel, Federal Reserve System, Legal Division  
Phone: 202 452-3198

**RIN:** 7100-AC60

**4498. REGULATION: DD — TRUTH IN SAVINGS (DOCKET NUMBER: R-1044)**

**Priority:** Substantive, Nonsignificant

**Legal Authority:** 12 USC 4301 et seq

**CFR Citation:** 12 CFR 230

**Legal Deadline:** None

**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 September 1996, the Congress amended the Truth in Savings Act (TISA) as a part of the Economic Growth and Regulatory Paperwork Reduction Act of 1996. The amendments repeal the definition of "indoor lobby sign," eliminate any disclosure requirements for nonrenewing time accounts with terms less than 30 days, and exempt certain credit unions from coverage. In March 1998, the Board issued for public comment a proposal that would implement the statutory changes (63 FR 14533, March 25, 1998), and the changes were subsequently adopted in September 1998. The proposal would also allow depository institutions to deliver by electronic communication disclosures required by TISA and the Board's regulation, if the consumer agrees to such delivery. It is not expected that there will be a significant economic impact on small institutions.

In August 1999, based on public comments received on the electronic communications proposal, the Board approved publishing an additional proposal for comment to provide more detailed guidance on the use of electronic communications to deliver disclosures to consumers. The Board also approved publishing an interim rule permitting the electronic delivery of Regulation DD disclosures on periodic statements. 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	03/25/98	63 FR 14533
Board adopted statutory changes	09/29/98	63 FR 52106
Board approved publishing additional proposal on electronic communications	09/14/99	64 FR 49740
Further Board action by	02/00/00	

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Final Rule Stage

**Regulatory Flexibility Analysis****Required:** No**Small Entities Affected:** Businesses**Government Levels Affected:** None**Agency Contact:** Kyung Cho-Miller, Staff Attorney, Federal Reserve System, Division of Consumer and Community Affairs

Phone: 202 452-2412

**RIN:** 7100-AC34**4499. APPLICABILITY OF SECTIONS 23A AND 23B OF THE FEDERAL RESERVE ACT TO TRANSACTIONS BETWEEN A MEMBER BANK AND ITS SUBSIDIARIES (DOCKET NUMBER: R-0977)****Priority:** Substantive, Nonsignificant**Legal Authority:** 12 USC 371c(b)(1)(E)**CFR Citation:** 12 CFR 250.243**Legal Deadline:** None

**Abstract:** Sections 23A and 23B of the Federal Reserve Act restrict the ability of a member bank to fund an affiliate through direct investment, loans, or other transactions. In July 1997, the Board issued for public comment a proposal to apply sections 23A and 23B to transactions between a member bank and any subsidiary that engages in activities that are impermissible for the bank itself and that Congress has not previously exempted from coverage by section 23A (62 FR 37744, July 15, 1997). The proposed treatment is largely consistent with the existing treatment of these subsidiaries by the other banking agencies, which have applied sections 23A and 23B in some form to transactions between a bank and such subsidiaries. The issuance of the proposals will avoid the application of sections 23A and 23B on an ad hoc basis by different agencies, which could result in confusion and inconsistencies.

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

**Timetable:**

Action	Date	FR Cite
Board requested comment	07/15/97	62 FR 37744
Further Board action by	02/00/00	

**Regulatory Flexibility Analysis****Required:** No**Government Levels Affected:** State, Federal**Agency Contact:** Pamela G. Nardolilli, Senior Counsel, Federal Reserve System, Legal Division  
Phone: 202 452-3289**RIN:** 7100-AC42**4500. APPLICABILITY OF SECTION 23A TO THE PURCHASE OF SECURITIES FROM CERTAIN AFFILIATES AND TO LOANS AND EXTENSIONS OF CREDIT MADE BY A MEMBER BANK TO A THIRD PARTY (DOCKET NOS: R-1015 & R-1016)****Priority:** Substantive, Nonsignificant**Legal Authority:** 12 USC 371c**CFR Citation:** 12 CFR 250**Legal Deadline:** None

**Abstract:** In June 1998, the Board issued for public comment two proposed rules to exempt certain transactions from the restrictions of section 23A of the Federal Reserve Act (63 FR 32766, June 16, 1998). Section 23A restricts the ability of a member bank to fund its affiliates through direct investment, loans, or certain other transactions (covered transactions). These proposals are in response to concerns raised by organizations when the Board earlier proposed removal of certain firewalls between insured depository institutions and their section 20 securities affiliates. Several petitioners stated then that, although the removal of the firewalls was welcomed, section 23A continued to limit certain transactions with their section 20 subsidiaries that do not raise significant safety and soundness issues and impede the efficient operation of the insured depository institutions.

In Docket Number: R-1015, the Board is proposing to expand the kind of assets that may be eligible for the (d)(6) exemption to include securities that, although not so widely traded as to warrant publication of their activity in publications of general circulation, are actively traded and whose price can be obtained from independent reliable sources, if the securities are purchased from a registered broker-dealer.

In Docket Number: R-1016, the Board is proposing to grant two exemptions from section 23A for certain loans and

extension of credit made by an insured depository institution to customers that use the proceeds to purchase certain securities from or through the depository institution's registered broker-dealer affiliate. The first exemption would apply when the affiliate is acting solely as a broker or riskless principal in the securities transaction. The second exemption would apply when the extension of credit is made pursuant to a pre-existing line of credit that was not established for the purposes of buying securities from or through an affiliate.

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

**Timetable:**

Action	Date	FR Cite
Board requested comment	06/16/98	63 FR 32766
Further Board action by	12/00/99	

**Regulatory Flexibility Analysis****Required:** No**Government Levels Affected:** None**Agency Contact:** Pamela Nardolilli, Senior Counsel, Federal Reserve System, Legal Division  
Phone: 202 452-3289**RIN:** 7100-AC52**4501. RULES REGARDING AVAILABILITY OF INFORMATION (DOCKET NUMBER: R-0917)****Priority:** Substantive, Nonsignificant**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**Legal Deadline:** None

**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



## FRS

## Final Rule Stage

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.

In light of the passage of time since the Board's February 1996 proposal was issued for public comment, the Board will make changes in that proposal based on the comments received and will reissue revised proposed amendments for further comment. The February 1996 proposal deals primarily

with the discretionary authority of the Board's General Counsel to produce information. These 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. Further Board action on the remainder of the regulation is expected within the next six months.

**Timetable:**

Action	Date	FR Cite
Board requested comment	02/28/96	61 FR 7436

Action	Date	FR Cite
Further Board action by	02/00/00	

**Regulatory Flexibility Analysis Required: No**

**Government Levels Affected: None**

**Agency Contact:** Karen Appelbaum, Counsel, Federal Reserve System, Legal Division

Phone: 202 452-3389

**RIN:** 7100-AC22

## Federal Reserve System (FRS)

## Completed Actions

**4502. REGULATION: H — MEMBERSHIP OF STATE BANKING INSTITUTIONS IN THE FEDERAL RESERVE SYSTEM (DOCKET NUMBER: R-0950)**

**Priority:** Substantive, Nonsignificant

**Legal Authority:** 12 USC 248(c); 12 USC 611; 12 USC 1814; 12 USC 1823(j); 12 USC 1828(o); 12 USC 1831o; 12 USC 1831p-1; 12 USC 1818; 12 USC 371d; 12 USC 461; 12 USC 321 to 338a; 12 USC 481 to 486; 12 USC 601; 12 USC 36; 12 USC 248(a)

**CFR Citation:** 12 CFR 208

**Legal Deadline:** None

**Abstract:** In December 1996, the Board, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency jointly published for 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 (61 FR 68824, December 30, 1996). 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 would have a significant economic impact on a substantial number of small banks.

Further consideration of the proposal by the Board is not expected during the next six months.

**Timetable:**

Action	Date	FR Cite
Board requested comment	12/30/96	61 FR 68824
Board action not expected during the next six months	09/03/99	

**Regulatory Flexibility Analysis Required: No**

**Government Levels Affected: None**

**Agency Contact:** Angela Desmond, Senior Counsel, Federal Reserve System, Division of Banking Supervision and Regulation  
Phone: 202 452-3497

**RIN:** 7100-AC14

**4503. REGULATION: H — MEMBERSHIP OF STATE BANKING INSTITUTIONS; REGULATION: K — INTERNATIONAL BANKING OPERATIONS; AND REGULATION: Y — BANK HOLDING COMPANIES (DOCKET NUMBER: R-1019)**

**Priority:** Substantive, Nonsignificant

**Legal Authority:** 12 USC 1818(s)(1); 12 USC 1831p-1(a)(2)

**CFR Citation:** 12 CFR 208; 12 CFR 211; 12 CFR 225

**Legal Deadline:** None

**Abstract:** In December 1998, the Board approved issuing for public comment a proposal to require domestic and foreign banking organizations supervised by the Board to develop and

maintain "Know Your Customer" programs (63 FR 67516, December 7, 1998). As proposed, the regulations would have required each banking organization to develop a program designed to determine the identity of its customers; determine its customers' sources of funds; determine, understand, and monitor the normal and expected transactions of its customers; and report appropriately any transactions of its customers that were determined to be suspicious, in accordance with the Board's existing suspicious activity reporting regulations. The proposal was intended to protect the reputation of the bank, facilitate the bank's compliance with all applicable statutes and regulations (including the Bank Secrecy Act and the suspicious activity reporting requirements of 12 CFR 208.20) and with safe and sound banking practices, and protect the bank from becoming a vehicle for or a victim of illegal activities perpetrated by its customers. By requiring banking organizations to determine the identity of their customers, as well as to obtain knowledge regarding the legitimate activities of their customers, it is believed that the proposed regulation would reduce the likelihood that banking organizations would become unwitting participants in illicit activities conducted or attempted by their customers.

In March 1999, after considering the issues raised by the public comments, and in view of the strong opposition to the proposed regulation, the Board, along with the Comptroller of the

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## Completed Actions

Currency, the Federal Deposit Insurance Corporation, and the Office of Thrift Supervision, all of whom issued similar regulations, withdrew the notice of proposed rulemaking (64 FR 15310, March 31, 1999).

**Timetable:**

Action	Date	FR Cite
Board requested comment	12/07/98	63 FR 67516
Board withdrew the proposal	03/31/99	64 FR 15310

**Regulatory Flexibility Analysis**

**Required:** No

**Government Levels Affected:** None

**Agency Contact:** Richard Small, Assistant Director, Federal Reserve System, Division of Banking Supervision and Regulation  
Phone: 202 452-5235

**RIN:** 7100-AC59

**4504. REGULATION: H — MEMBERSHIP OF STATE BANKING INSTITUTIONS IN THE FEDERAL RESERVE SYSTEM; AND REGULATION: Y — BANK HOLDING COMPANIES AND CHANGE IN BANK CONTROL (DOCKET NO: R-0947 & R-0948)**

**Priority:** Substantive, Nonsignificant

**Legal Authority:** 12 USC 36; 12 USC 248(a); 12 USC 248(c); 12 USC 321 to 338a; 12 USC 371d; 12 USC 461; 12 USC 481 to 486; 12 USC 601; 12 USC 611; 12 USC 1814; 12 USC 1816; 12 USC 1818; 12 USC 1823(j); 12 USC 1828(o); 12 USC 1831o

**CFR Citation:** 12 CFR 208 app A; 12 CFR 208 app B; 12 CFR 225 app A; 12 CFR 225 app D

**Legal Deadline:** None

**Abstract:** In October 1997, the Board issued for public comment proposals to revise the Federal Reserve's risk-based capital treatment for junior liens on 1- to 4-family residential properties and for investments in mutual funds (62 FR 55686, October 27, 1997). The proposals also simplify the Federal Reserve's leverage capital guidelines for banks and make the leverage capital guidelines for bank holding companies consistent with the definition of a well-capitalized bank holding company for expedited applications purposes.

The proposals were issued on an interagency basis as part of the efforts under section 303 of the Riegle

Community Development and Regulatory Improvement Act of 1994 to make interagency guidelines uniform. In June 1998, following review of the public comments, the Board adopted the proposed revisions to the bank holding company leverage ratio (63 FR 30369, June 4, 1998). In February 1999, the Board approved final rules amending the risk-based and leverage capital standards for state member banks (Regulation H) and the risk-based capital standards for bank holding companies (Regulation Y) (64 FR 10194, March 2, 1999). The amendments will not have a significant economic impact on a substantial number of small entities subject to the Board's regulation.

**Timetable:**

Action	Date	FR Cite
Board requested comment	10/27/97	62 FR 55686
Board adopted bank holding company proposal	06/04/98	63 FR 30369
Board adopted remaining proposals	03/02/99	64 FR 10194

**Regulatory Flexibility Analysis**

**Required:** No

**Government Levels Affected:** None

**Agency Contact:** Kirk Odegard, Senior Financial Analyst, Federal Reserve System, Division of Banking Supervision and Regulation  
Phone: 202 530-6225

**RIN:** 7100-AC29

**4505. REGULATION: CC — AVAILABILITY OF FUNDS AND COLLECTION OF CHECKS (DOCKET NUMBER: R-1027)**

**Priority:** Substantive, Nonsignificant

**Legal Authority:** 12 USC 4001 et seq

**CFR Citation:** 12 CFR 229

**Legal Deadline:** None

**Abstract:** In December 1998, the Board issued for public comment proposed amendments to Regulation CC to allow banks that consummate a merger on or after July 1, 1998, and before June 1, 1999, greater time to implement software changes related to the merger (63 FR 66499, December 2, 1998). Comment was requested on the need for this amendment and whether the proposed liberalization of the regulation's merger transaction provisions was adequate to avoid contention for programming and testing

resources necessary to manage banks' Year 2000 readiness efforts that otherwise would be created by these requirements.

The proposed amendments are intended to provide relief to banks involved in mergers, including small institutions, by reducing required changes to their automation environment during the period surrounding the century rollover and should not have a negative economic impact on small institutions. In March 1999, following review of the public comments, the Board adopted the amendments substantially as proposed (64 FR 14577, March 26, 1999).

**Timetable:**

Action	Date	FR Cite
Board requested comment	12/02/98	63 FR 66499
Board adopted amendments	03/26/99	64 FR 14577

**Regulatory Flexibility Analysis**

**Required:** No

**Government Levels Affected:** None

**Agency Contact:** Jean Anderson, Staff Attorney, Federal Reserve System, Legal Division  
Phone: 202 452-3707

**RIN:** 7100-AC58

**4506. REGULATION: CC — AVAILABILITY OF FUNDS AND COLLECTION OF CHECKS (DOCKET NUMBER: R-1031)**

**Priority:** Substantive, Nonsignificant

**Legal Authority:** 12 USC 4001 et seq

**CFR Citation:** 12 CFR 229

**Legal Deadline:** None

**Abstract:** In December 1998, the Board issued an advance notice of proposed rulemaking on the potential benefits and drawbacks of a modification to Regulation CC that would shorten the maximum hold for many nonlocal checks from five to four business days (63 FR 69027, December 15, 1998). This proposed modification would have allowed a depository bank to retain a five-day schedule for categories of nonlocal checks for which it certifies that it does not receive a sufficient proportion of returned checks within four business days. The objective of the proposal was to provide bank customers with faster funds availability when appropriate, in accordance with the Expedited Funds Availability Act.

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In July 1999, following review of the public comments, the Board concluded that return times for nonlocal checks do not support a reduced availability schedule for nonlocal checks in the aggregate at this time. The Board also determined that, currently, the costs and potential risks would outweigh the likely benefits of establishing subcategories of nonlocal checks for availability purposes. Therefore, the Board decided not to propose any

specific regulatory changes at this time to reduce the nonlocal check availability schedule (64 FR 37708, July 13, 1999).

**Timetable:**

Action	Date	FR Cite
Board requested comment	12/15/98	63 FR 69027
Board terminated proposed rulemaking	07/13/99	64 FR 37708

**Regulatory Flexibility Analysis Required:** No**Government Levels Affected:** None**Agency Contact:** Jack Walton, Manager, Federal Reserve System, Division of Reserve Bank Operations and Payment Systems  
Phone: 202 452-2660**RIN:** 7100-AC57

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