Board of Governors of the Federal Reserve System
Federal Deposit Insurance Corporation
Office of the Comptroller of the Currency
Office of Thrift Supervision

Joint Report:

Update on Review of Regulations and Paperwork Reductions
Section 402 of the Credit Union Membership Access Act

August 5, 1999

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Part III – Federal Deposit Insurance Corporation

Part I

Joint Agency Report

A. Executive Summary

Section 303(a) of the Riegle Community Development and Regulatory Improvement Act of 1994[1] (CDRI) directed the Board of Governors of the Federal Reserve System (FRB), Federal Deposit Insurance Corporation (FDIC), Office of the Comptroller of the Currency (OCC) and Office of Thrift Supervision (OTS) (collectively, federal banking agencies or agencies) to conduct a systematic review of their regulations and written policies to improve efficiency, reduce unnecessary costs, and eliminate inconsistencies and outmoded and duplicative requirements. CDRI also directed the agencies to work jointly to make uniform all regulations and guidelines implementing common statutory or supervisory policies. CDRI stated that the review be "consistent with the principles of safety and soundness, statutory law and policy, and the public interest," 12 U.S.C. § 4803(a). The results of this review were reported to Congress on September 23, 1996 (1996 Report).[2] CDRI section 303(a) was subsequently amended to specify that the review should include "the extent to which existing regulations require insured depository institutions and insured credit unions to produce unnecessary internal written policies and eliminate such requirements where appropriate."[3] Section 402 of the Credit Union Membership Access Act[4] requires the federal banking agencies to submit a report to Congress "detailing their progress in carrying out section 303(a) of [CDRI] since submission of [the 1996 Report]." The following report (the 1999 Report) details the agencies' progress implementing CDRI section 303(a).

We are pleased to report that since the completion of the CDRI review in 1996, all but one of the interagency CDRI recommendations has been implemented. In addition, each of the agencies has incorporated the principles of CDRI into its regulatory development and review process. The agencies' CDRI review efforts have resulted in genuine streamlining and burden reduction as well as achieving increased substantive uniformity among the agencies. Uniformity among the agencies' policies and regulations is the rule, rather than the exception.

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[1] 103 Pub. L. 325, 108 Stat. 2160 (Sept. 23, 1994) (codified at 12 U.S.C. § 4803(a)).
[2] *Joint Report: Streamlining of Regulatory Requirements,* September 23, 1996.
[3] 104 Pub. L. 208, 110 Stat. 3009 (Sept. 30, 1996) (codified at 12 U.S.C. § 4803(a)(2)).
[4] 105 Pub. L. 219, 112 Stat. 913 (Aug. 7, 1998) (12 U.S.C. § 4803, note).

Table 1 summarizes the actions the agencies have taken with regard to all of the 65 interagency regulations and policy statements reviewed pursuant to section 303(a) of CDRI. Of the 65 total interagency regulations and policies reviewed under CDRI, 31 have been revised, 15 have been rescinded, and 18 have been retained as written because they were determined to be consistent with CDRI goals.[5] Column 1 of Table 1 summarizes the actions taken by the agencies as of the date of the 1996 Report to implement the recommendations of the CDRI review. At that time, 6 policies had been revised; 3 had been rescinded and 16 had been retained. Column 2 of Table 1 summarizes the agencies' actions to date to implement the remaining 40 recommendations. Twenty-five regulations and policies have been revised since the 1996 Report, 12 have been rescinded, and 2 have been retained because they have been determined to be consistent with CDRI goals.

Table 1
Summary of Actions Taken to Implement
CDRI Section 303 Projects

	As Of the 1996 Report	Since 1996 Report	Total
Revised regulations and policies	6	25	31
Rescinded regulations and policies	3	12	15
Retained regulations and policies	16	2	18
Ongoing projects	0	1	1
Total	25	40	65

Part I of this 1999 Report details the agencies' progress toward final implementation of these interagency projects and highlights the significant accomplishments achieved. Parts II – V detail each agency's progress in implementing their agency-specific projects.

[5] Implementation of only one recommendation remains: the interagency statement of policy regarding the enforcement of the Equal Credit Opportunity and Fair Housing Acts.

Even though the CDRI section 303 review is complete, the agencies are committed to ensuring that the principles of CDRI section 303(a) are considered in the ongoing development and review of their regulations and policies. We continue to look for ways to streamline, update, and make uniform our various policies and regulations. In taking such actions, we strive to reduce regulatory burden while maintaining the safety and soundness of the nation's banking and thrift institutions. For example, we currently have a project underway to update, codify, and expand our 1994 Interagency Policy Statement on Retail Sales of Nondeposit Investment Products, in part to reflect changes in industry scope and practices. We are also in the process of updating our rules on management interlocks to incorporate recent statutory changes. In addition, the agencies have jointly addressed the issues presented by Year 2000 and promulgated uniform safety and soundness standards for Year 2000 remediation.

B. Significant Accomplishments

Risk-Based and Leverage Capital Standards

The 1996 Report identified five types of transactions where the agencies had different applications of their risk-based capital rules:[6] 1) construction loans on pre-sold residential properties, 2) junior liens on 1- to 4- family residential properties, 3) investments in mutual funds, 4) collateralized transactions, and 5) investment in subsidiaries. In addition, the 1996 Report noted differences between the OTS's capital leverage ratio and those of the FRB, FDIC, and OCC.

On March 2, 1999, the agencies published a final rule [64 FR 10194 (1999)] that made uniform their risk-based capital treatment of construction loans on pre-sold residential properties, investments in mutual funds, and real estate loans secured by junior liens on 1- to 4-family residential properties. The final rule also simplified the agencies' minimum Tier 1 leverage capital standards and made them more uniform. The final rule became effective on April 1, 1999. In addition to this CDRI section-303 related capital rule, the agencies have undertaken several other joint initiatives to ensure that their capital standards remain uniform and current with various market and industry developments. These actions include:

- A final joint rulemaking by the FRB, FDIC, OCC, and OTS amending the agencies' risk-based capital treatment of servicing assets to reflect market developments and changes in accounting standards. This rule was published on August 10, 1998 and became effective October 1, 1998 [63 FR 42668 (1998)].

- A final joint rulemaking by the FRB, FDIC, and OCC implementing an explicit risk-based capital charge for market risk for those institutions with significant trading activities. The rule uses an institution's internal value-at-risk model as the basis for computing its capital requirement for general market risk. This models-based approach recognizes and encourages advancements in risk measurement methodology and avoids the burden of imposing a separate, standard-based regulatory model on institutions. This final rule was issued on

[6] FDIC - 12 CFR Part 325; FRB - 12 CFR Part 208 (Member Banks) and 12 CFR Part 225 (Holding Companies); OCC - 12 CFR Part 3; and OTS - 12 CFR Part 567. The agencies' risk-based capital rules implement the Basel Committee on Banking Supervision (Basel Committee) 1988 Capital Accord (1988 Accord). Under these rules, each bank's or thrift's assets and off-balance sheet items are assigned risk weights based on each instrument's degree of risk: the greater the assigned risk weight, the greater the amount of required capital.

September 6, 1996 and became effective for identified institutions on January 1, 1998 [61 FR 47357 (1996), as amended at 62 FR 68064 (1997) and 64 FR 19034 (1999)].

- A final joint rulemaking that permits banks, bank holding companies and thrifts to include in supplementary (Tier 2) capital up to 45 percent of the pretax net unrealized holding gains on certain available-for-sale (AFS) equity securities. This rule was published on September 1, 1998, and was effective on October 1, 1998 [63 FR 46518 (1998)]. This amendment makes the regulatory treatment of these unrealized gains consistent with the international standards of the 1988 Accord.

- Joint interim guidance to banking organizations on the capital treatment for derivatives under the Statement of Financial Accounting Standards No. 133, "Accounting for Derivatives Instruments and Hedging Activities." This guidance was issued on December 29, 1998.

- The establishment of an interagency capital subcommittee in September 1997 that reports to the Federal Financial Institutions Examination Council's Task Force on Supervision. This subcommittee oversees and provides guidance on all major interagency capital initiatives.

The agencies are in the preliminary stages of two major projects that could significantly affect their capital regulations. The first is an effort undertaken by the Basel Committee to review and possibly update or modify the 1988 Accord to make those standards more risk-focused and to better reflect differences in credit risk, the development of credit risk mitigation tools, and other market developments. Because of these discussions, the agencies have placed on hold changes to their risk-based capital treatments of collateralized transactions and investment in subsidiaries.

Concurrent with these international discussions, the agencies are exploring whether the differences in activities and levels and types of risks between large, complex banks and small, non-complex banks warrant a bifurcated approach to supervisory capital adequacy. Such an approach could result in different methodologies for computing regulatory capital requirements for such banks.

Uniform Examination Rating Systems

The 1996 Report discussed the agencies' efforts to revise the 1979 Uniform Financial Institutions Rating System (UFIRS). Under this system, the agencies assign a numerical rating from 1 to 5 to the financial institutions they supervise, with a 1 indicating the highest rating, strongest performance and risk management practices, and least degree of supervisory concern. The original rating system, referred to as the CAMEL rating system, evaluated an institution's **C**apital Adequacy, **A**sset Quality, **M**anagement, **E**arnings, and **L**iquidity.

The Federal Financial Institutions Examination Council (FFIEC) adopted a revised UFIRS in December 1996 [61 FR 67201 (1996)]. The revised UFIRS updates the 1979 policy statement to reflect changes in the financial services industry and in the federal banking agencies' policies and procedures, identifies risk elements within the composite and component rating descriptions, and places greater emphasis on institutions' risk management practices. The revised UFIRS also added a sixth component, **S**ensitivity to Market Risks, to reflect an institution's sensitivity to interest rate and other market risks. The revised UFIRS (CAMELS) system retains the basic framework of the original rating system and promotes an efficient examination process. The revised UFIRS became effective January 1, 1997.

Since 1996, the agencies also revised the Uniform Interagency Trust Rating System and the Uniform Rating System for Information Technology to make them more consistent with the revised UFIRS system and to reflect changes in the industry. The number of component ratings in the trust system was reduced from six to five by combining the "Account Administration" and "Conflicts of Interest" components into a new "Compliance" component. In addition, the "Earnings" component was modified such that a rating is only required for institutions with more than $100 million in total trust assets and in all non-deposit trust companies. This change reflects the agencies' recognition that for many smaller community banks, trust related services are not managed as a distinct profit center. In the information rating system, the "Systems Development and Programming" and "Operations" components were replaced with "Development and Acquisition" and "Support and Delivery" components. The revised trust rating system became effective January 1, 1999 [63 FR 54704 (1998)], and the revised information technology rating system became effective on April 1, 1999 [64 FR 3109 (1999)].

Regulatory Forms and Reports

As part of our efforts to simplify procedures, eliminate duplicative or outmoded policies and otherwise reduce burdens for financial institutions, we have reviewed and revised various forms used in our corporate applications processes. In 1997, the agencies issued three common forms to promote uniformity: Interagency Notice of Change in Control, Interagency Notice of Change in Director and Senior Executive Officer, and Interagency Biographical and Financial Report. In December 1998, the agencies received approval of a new bank merger application form from the Office of Management and Budget. Institutions seeking approvals to merge, consolidate, or otherwise combine use the new form. It replaces four different forms that had been used by the agencies and will result in uniform reporting requirements and a lessening of regulatory burden.

The FDIC, FRB, and OCC also have taken steps to simplify and clarify the submission of quarterly Reports of Condition and Income (Call Reports). These efforts have included:

- Adoption of generally accepted accounting principles (GAAP) as the reporting basis for the balance sheet, income statement, and related schedules in the Call Report [62 FR 8078 (1997)];

- Issuance of an updated Call Report instruction book that conforms with GAAP, clarifies the reporting of certain items, and contains an index; and

- Implementation of electronic filing procedures for all Call Report filers.

In addition, the three agencies eliminated reporting form FFIEC 035, "Monthly Consolidated Foreign Currency Report of Banks in the United States."

The OTS has undertaken similar efforts to streamline and reduce the burden of regulatory report filings. The OTS implemented electronic filing procedures for all Thrift Financial Reports filers in 1993. In January 1998, the OTS made available to the industry a Windows-based version of the electronic filing software. The OTS is now exploring the use of the Internet for preparation and transmission of regulatory reports.

Pursuant to section 307 of CDRI, the agencies are developing a uniform Call Report. A core balance sheet and income statement format that banks and thrifts would use for public reporting purposes and a working draft of all core information

schedules have been developed. The agencies are reconciling definitions and resolving other issues arising from the current separate reporting requirements for savings associations, banks, and bank holding companies. The target date for implementing the core report is March 2001. A *Federal Register* notice seeking public comment on a proposed core report is expected to be published later this year.

Community Reinvestment Act Regulation

As noted in the 1996 report, the agencies adopted revised, uniform Community Reinvestment Act[7] (CRA) regulations[8] in 1995. Since that time, we have undertaken several initiatives to ensure consistent implementation of CRA and to respond to industry developments and issues. These initiatives have included:

- An interagency roundtable, held in January 1997, to discuss the experiences of examiners using the small bank examination procedures and to develop recommendations for improving them. Revisions made as a result of the roundtable improved the clarity of the small institution public evaluation format.

- An interagency large bank CRA consistency project, designed to ensure greater consistency and efficiency in the agencies' large bank CRA examinations. This project included eight joint CRA examinations of large banks and thrifts and reviews of forty Public Evaluations issued using the new CRA procedures for large institutions.

- Joint publication of periodic supplemental guidance on CRA through Interagency Questions and Answers Regarding Community Reinvestment. These questions and answers, first published in 1996, answer most frequently asked questions about community reinvestment and serve as the agencies' primary vehicle for disseminating guidance interpreting CRA regulations. The Interagency Questions and Answers were revised and updated in October 1997 and in May 1999 [64 FR 23618 (1999)].

- A revision of the estimated burden of the CRA regulations, based on the agencies' experience with the rule since it was revised in 1995, and on industry

[7] Pub. Law 95-128, title VII, 91 Stat. 1147 (Oct. 12, 1977) (codified at 12 U.S.C. § 2902 *et seq.*).
[8] FDIC 12 CFR Part 345; FRB 12 CFR Part 228; OCC 12 CFR Part 25; and OTS 12 CFR Part 563e.

feedback in response to a notice in the *Federal Register* seeking comments on the regulation's burden. The agencies concluded that large institutions[9] spend more time geocoding[10] loans and collecting and reporting optional loan data than estimated in 1995. Information collection burden for small institutions is modest because these institutions are not required to collect and report geocoded data. The revised burden estimates were published in the *Federal Register* on May 28, 1999 to give interested parties another opportunity to comment by the end of July 1999 [64 FR 29083 (1999)].

- Rescission of four outdated CRA policy statements in April 1999 [64 FR 16453 and 16578 (1999)].

Uniform Retail Credit Classification Policy

On February 10, 1999, the agencies published a revised policy statement on retail credit classification and account management [64 FR 6655 (1999)]. The statement is used by the agencies for uniform classification and treatment of retail credit loans in financial institutions. The revision updates the agencies' 1980 policy statement, which had become outdated. In particular, the 1980 statement did not establish guidance for charging off fraudulent accounts, accounts of deceased persons, or accounts of borrowers in bankruptcy. It also did not provide guidance for handling re-aging of open-end credit, or extensions, deferrals, renewals, or rewrites of closed-end credit — practices that have become increasingly common within the industry. In addition, the 1980 statement's guidance to charge off open-end loans by the seventh zero billing cycle was confusing and had led to inconsistent industry practices. Moreover, the classification guidance did not address residential and home equity loans, a significant amount of consumer credit.

The agencies' 1999 policy statement addresses these concerns and:

- Establishes a uniform charge-off policy for open-end credit at 180 days delinquency and closed-end credit at 120 days delinquency;

- Provides uniform guidance for loans affected by bankruptcy, fraud, and death;

[9] Generally, the CRA regulations define large institutions as those with $250 million or more in assets and those, regardless of size, that are affiliates of holding companies with bank and thrift assets of $1 billion or more.

[10] Geocoding is the identification of census tracts or block numbering areas for certain loans as specified in the CRA regulations.

- Establishes guidelines for the re-aging, extension, deferral, or rewriting of accounts;

- Classifies certain delinquent residential mortgage and home equity loans; and

- Broadens recognition of partial payments that qualify as full payments.

In recognition of the demands currently being placed on institutions' programming resources in connection with their Year 2000 remediation efforts, the agencies are allowing institutions until December 31, 2000 to implement those changes required by this revised guidance that require programming resources.

C. Summary Status Reports: Progress Implementing CDRI Reviews Since the 1996 Report

Summary status reports on the interagency projects that were not yet complete as of the 1996 Report's publication date follow. A project is classified as "revised" if one agency or more revised the regulation or policy after the 1996 Report. A project is classified as "rescinded" if none of the agencies revised the regulation or policy, and one agency or more rescinded it. Two projects are classified as "retained." The 1996 Report stated that these cases would be revised but the agencies subsequently determined that they are consistent with CDRI goals and have retained them.

Title: **Allocated Transfer Risk Reserve**
FDIC - 12 CFR Part 351[11]
FRB - 12 CFR § 211.41
OCC - 12 CFR Part 20[12]
OTS - N/A[13]

Subject Matter: The International Lending Supervision Act of 1983[14] (ILSA) mandated the agencies to adopt regulations establishing special reserves and accounting treatment for international loans, and required the collection of country exposure data on a quarterly basis. In 1984, the agencies jointly issued regulations requiring quarterly reports and the establishment of special reserves. In 1989, ILSA was amended to provide for a re-evaluation of country risk-rating.

Action/Status: The agencies amended their regulations in 1998 to simplify their rules and eliminate unnecessary burden. In particular, the detailed rules and discussion regarding the accounting for fees earned on international loans were eliminated and replaced with a statement that the accounting should conform with generally accepted accounting principles and ILSA.

Title: **Assessment of Civil Money Penalties**

Subject Matter: This 1980 interagency policy statement sets forth 13 standards the agencies were to use to determine the amount of civil money penalties that should be assessed. Although in 1990 the agencies agreed to revise the policy statement, the revision was not formally adopted.

Action/Status: The agencies published a revised interagency policy statement in 1998 [63 FR 30226 (1998)]. The revised policy statement specifies factors that the agencies should consider in deciding whether, and in what amounts, civil money penalty assessment proceedings should be initiated. The revision also streamlines the policy statement by eliminating detail about various statutory references and authorities.

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[11] 12 CFR Part 351 was incorporated into 12 CFR Part 347, Subpart C. *See* 63 FR 17056 (1998).
[12] 12 CFR Part 20 was incorporated into 12 CFR § 28.53. *See* 63 FR 57047 (1998).
[13] N/A denotes the agency does not have, or is not required to have, a relevant regulation or guideline.
[14] Pub. L. 98-181, title IX, 97 Stat. 1153 (Nov. 30, 1983) (codified at 12 U.S.C. § 3901 *et seq.*).

Revised Since the 1996 Report

Title: **Bank Merger Act**
FDIC - 12 CFR §§ 303.6, 303.7
FRB - 12 CFR §§ 262.3
OCC - 12 CFR § 5.33
OTS - 12 CFR § 563.22

Subject Matter: The agencies must approve mergers, consolidations, assumptions of deposit liabilities, and certain acquisitions of assets between insured depository institutions. Pursuant to the Bank Merger Act[15] (BMA), enacted in 1960, the agencies are required to consider the competitive impact of the transaction, financial and managerial resources of institutions involved, future prospects of the merging and resulting institutions, and the convenience and needs of the community to be served when evaluating merger applications.

Action/Status: The agencies implement BMA in a substantively uniform manner. Subsequent to the 1996 Report, the agencies adopted a revised uniform BMA application form. The Office of Management and Budget (OMB) approved the use of this revised form on December 29, 1998. The agencies have been using this form since receiving OMB approval.

Title: **Banks as Registered Clearing Agencies**
FDIC - 12 CFR Part 342[16]
FRB - 12 CFR § 208.8(g)-(I)[17]
OCC - 12 CFR § 9.21-22[18]
OTS - N/A

Subject Matter: These regulations are issued pursuant to sections 17A, 19, and 23 of the Securities and Exchange Act of 1934[19] (the 1934 Act). The regulations provide for banks to obtain a stay or review of certain actions (including final disciplinary sanctions) imposed by clearing agencies registered under the 1934 Act for which the Securities and Exchange Commission (SEC) is not the appropriate regulatory agency under section 3(a)(34)(B) of the Act.

Action/Status: There is only one bank clearing agency, a non-insured trust company, that is a member of the Federal Reserve System. There is no additional regulatory burden imposed by these regulations, which track SEC rules. The FRB revised its regulation and cross-referenced the applicable SEC regulations in July 1998 [63 FR 37629 (1998)]. The FDIC revised its regulation and cross-referenced the applicable SEC regulations in September 1996 [61 FR 48402 (1996)]. In December 1996, the OCC revised and streamlined its regulations by cross-referencing applicable SEC regulations [61 FR 685543 (1996)].

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[15] Pub. L. 86-463, 74 Stat.129 (May 13, 1960) (codified at 12 U.S.C. § 1828).
[16] 12 CFR Part 342 was incorporated into 12 CFR Part 308, Subpart S. *See* 61 FR 48402 (1996).
[17] 12 CFR § 208.8 (g)-(I) has been redesignated as 12 CFR Part 208, Subpart C. *See* [63 FR 37629 (1998)].
[18] 12 CFR §§ 9.21-22 were consolidated into 12 CFR 19.135. *See* 61 FR 68543 (1996).
[19] Ch. 404, 48 Stat. 881, ch. 404 (June 6, 1934) (codified at 15 U.S.C. § 78a *et seq.*).

Title: **Change in Bank Control**
FDIC - 12 CFR §§ 303.4; 308.110 - 114
FRB - 12 CFR § 225.41-43
OCC - 12 CFR § 5.50
OTS - 12 CFR Part 574

Subject Matter: The Change in Bank Control Act of 1978[20] (CIBC Act) requires persons seeking to acquire control of any insured depository institution or holding company to provide 60 days prior written notice to the appropriate agency, unless the transaction is otherwise exempted. Each agency has promulgated a rule implementing the CIBC Act. Although the agencies' rules were identical when they were issued in 1979, subsequent amendments to the rules led to certain material differences.

Action/Status: Each of the agencies has revised its notification rules to incorporate changes required by the Economic Growth and Regulatory Paperwork Reduction Act of 1996 (EGRPRA) as well as other burden reducing initiatives.

In 1997, the FRB eliminated the requirement that a person who had already received FRB approval under the CIBC Act obtain additional approval to acquire additional shares of the same bank or bank holding company [62 FR 9289 (1997)]. The FRB also established after-the-fact filing procedures for certain situations in which a filing requirement is triggered by the action of an unrelated third party.

The FDIC's rule was revised in conjunction with the comprehensive revision of its applications procedures [63 FR 44686 (1998)]. Specifically, the FDIC offered qualifying well-capitalized and well-managed insured depository institutions and their holding companies expedited review procedures for these applications and notices.

The OCC's final rule was issued on November 27, 1996 as part of the revision to Part 5 of its regulations [61 FR 60363 (1996)]. Among other things, the 1996 rulemaking applied the standards of the CIBC Act to uninsured national banks. It also reorganized, clarified and simplified the OCC's rules.

In 1996 and 1997, OTS made changes to 12 CFR Part 574 (Acquisition of Control of Savings Associations) [61 FR 60179 (1996) and 62 FR 15819 (1997)]. These changes consisted of both technical amendments and changes to implement provisions of EGRPRA, which, among other things, eliminated OTS supervision of holding companies that control both a bank and a thrift and are registered under the Bank Holding Company Act of 1956.[21]

[20] Pub. L. 95-630, title VI, 92 Stat. 3683 (Nov. 10, 1978) (codified at 12 U.S.C. § 1817(j)).
[21] Ch. 240, 70 Stat. 133 (May 9, 1956) (codified at 12 U.S.C. § 1841 *et seq.*).

Title: **Coordination of Formal Corrective Action**

Subject Matter: This 1979 interagency policy statement requires any Federal agency initiating formal enforcement action against a banking organization to provide the other agencies with prior written notification that such action is being taken. The policy also requires the agencies to coordinate complementary actions taken by two or more agencies, and describes the dispute resolution process in the event the agencies disagree with respect to any aspect of the complimentary actions. Finally, the policy statement requires the agency to provide prior written notice to the state supervisory authority whenever the agency intends to initiate formal enforcement action against a state chartered bank.

Action/Status: The agencies revised this policy statement in 1997 [62 FR 7782 (1997)] to streamline interagency notification procedures and to ensure timely notice of proposed enforcement action.

Title: **Disclosure of Financial Information**
FDIC - 12 CFR Part 350
FRB - 12 CFR § 208.17
OCC - 12 CFR Part 18
OTS - N/A

Subject Matter: These regulations require financial institutions to prepare an annual disclosure statement and make that statement available upon request to depositors, shareholders and the general public. The regulations permit financial institutions to use all or certain specified schedules of their reports of condition and income (Call Reports) to fulfill this requirement. The disclosure statement may also contain a narrative section.

Action/Status: The FDIC revised its regulation to allow for the use of other required reports in fulfilling the disclosure requirements [62 FR 10201 (1997)]. The FRB repealed its regulation because Call Report information for banks is available through the Internet [63 FR 37629 (1998)]. The OTS had a similar regulation (12 CFR § 562.3); in connection with its CDRI section 303(a) review, OTS repealed its regulation as unnecessary. The OCC retained its regulation.

Title: **Fair Housing Reporting and Recordkeeping Requirements**
FDIC - 12 CFR Part 338
FRB - 12 CFR Parts 202 and 203
OCC - 12 CFR Part 27
OTS - 12 CFR Part 528

Subject Matter: This section covers the Equal Housing Lender Poster, and the recordkeeping requirements for the Equal Credit Opportunity Act[22] (ECOA) and the Home Mortgage Disclosure Act[23] (HMDA). In April 1996, HUD eliminated its non-discriminatory advertising regulation requiring the display of an Equal Housing Lender poster wherever loans for the purchase, construction, improvement, repair, or maintenance of a dwelling are made. This rule was eliminated without advance notice or opportunity for comment. The FRB subsequently determined that a 1989 Board Order paralleling the nondiscriminatory advertising rules of the HUD regulation would continue to remain in effect for state member banks after the elimination of the HUD rule. The regulations implementing the ECOA and the HMDA require institutions to request and report information about a home purchase or home improvement loan applicant's race or national origin, sex, age, and marital status, as well as certain information about the loan request. Agency rules on data collection differ. The regulations provide for the optional reporting of the reasons for denials. The OCC and OTS mandate that lenders report the reasons for denial. The FRB and FDIC make this report optional. In addition, the OCC collects other data on the applicant, subject property, and loan request not required by the FRB, FDIC, and OTS.

Action/Status: The FDIC published a final rule in July 1997, to reduce data collection and reporting burden on insured state nonmember banks and to align the FDIC's Fair Housing regulation more closely with that of the other agencies [62 FR 36201 (1997)]. The FRB published an Advanced Notice of Proposed Rulemaking on HMDA in March of 1998 that solicited comments on data collection [63 FR 12327 (1998)]. The FRB has reviewed the comments and expects to publish a proposed rule in summer 1999 and a final rule in 2000.

Title: **Interagency Policy on Contingency Planning for Financial Institutions**

Subject Matter: This 1989 interagency policy statement alerts the board of directors and management of financial institutions to the need for contingency planning in the event of natural disasters. The agencies require annual approval of a contingency plan by an institution's board of directors.

Action/Status: The FFIEC adopted a revised policy statement (SP-5) on Corporate Business Resumption and Contingency Planning on March 26, 1997. The statement continues to emphasize the importance of business recovery and explains the goals associated with an effective business resumption and contingency plan. It refers readers to the FFIEC Information Systems Examination Handbook for specific guidance on developing an organization-wide contingency plan.

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[22] Pub. L. 93-495, title V, 88 Stat. 1521 (Oct. 28, 1974) (codified at 15 U.S.C. § 1691 *et seq.*).
[23] Pub. L. 94-200, title III, Sec. 302, 89 Stat. 1125 (Dec. 31, 1975) (codified at 12 U.S.C. § 2801 *et seq.*).

Title: **Investment in Bank Premises**
FDIC - N/A
FRB - 12 CFR § 208.22[24]
OCC - 12 CFR § 7.3100[25]
OTS - 12 CFR § 545.77[26]

Subject Matter: National and state member banks are required by statute to obtain supervisory approval for investments in bank premises in excess of capital stock. Previously, the FRB's and OCC's implementing regulations differed in certain respects.

Action/Status: The OCC and FRB have harmonized the differences between their regulations implementing 12 U.S.C. § 371d. In 1996, the OCC finalized a regulation permitting a highly rated (CAMELS 1 or 2), well-capitalized bank to invest up to 150% of capital and surplus in bank premises without prior approval. *See* 61 FR 60363 (1996), amending 12 CFR § 5.37(d)(3). This provision is comparable to a portion of the FRB regulation now located at 12 CFR § 208.21.

Title: **Municipal Securities Dealer Activities of Banks**
FDIC - 12 CFR Part 343
FRB - 12 CFR § 208.8(j) (rescinded in 1998)
OCC - 12 CFR Part 10
OTS - N/A

Subject Matter: The 1975 amendments to the Securities Exchange Act of 1934 require bank municipal securities dealers to register with the SEC and created the Municipal Securities Rulemaking Board (MSRB). The MSRB was directed to establish qualifications for individuals associated with municipal securities dealers. In 1977, shortly after the MSRB adopted Rule G-7 to address this area, the FDIC, FRB and OCC established regulations requiring their banks to comply with MSRB Rule G-7.

Action/Status: MSRB Rule G-7 applies to bank municipal securities dealers and their associated persons whether or not the banking agencies have their own rule on point. The FRB in 1998 revised its regulation regarding state member banks and eliminated the rule requiring compliance with MSRB Rule G-7 as unnecessary and duplicative [63 FR 37629 (1998)].

The FDIC proposed the rescission of 12 CFR Part 343 on May 16, 1997 to reduce unnecessary and duplicative regulatory burden [62 FR 26994 (1997)]. The FDIC received no comments on the proposal. The FDIC plans to finalize action on the proposed rescission in the third quarter of 1999. For purposes of CDRI section 303, the FDIC would continue to take a uniform approach with the other banking agencies.

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[24] The text formerly located in 12 CFR § 208.22 was revised and renumbered 12 CFR § 208.21. *See* 63 FR 37641 (1998).
[25] 12 CFR § 7.3100 was consolidated into 12 CFR § 5.37. *See* 61 FR 60363 (1996).
[26] The rules governing bank premises were moved to 12 CFR § 560.37. *See* 61 FR 66579 (1996).

In 1988, the OCC eliminated provisions that are no longer necessary in light of the MSRB's Rule G-7 [63 FR 29092 (1998)]. The OCC also amended the "Scope" section of Part 10 to clarify, consistent with existing securities laws and industry practice, that the OCC's rules governing filing requirements for municipal securities dealers do not apply to subsidiaries of national banks.

For purposes of CDRI, the FDIC, FRB and OCC continue to take a uniform approach with respect to qualifications of persons associated with bank municipal securities dealers.

Title: **Notice of Addition or Change of Directors and Senior Executive Officers**
FDIC - 12 CFR §§ 303.14 and 303.151-155[27]
FRB - 12 CFR § 225.71-73[28]
OCC - 12 CFR § 5.51
OTS - 12 CFR § 574.9[29]

Subject Matter: Each of the agencies has regulations that require an insured depository institution or depository institution holding company to notify the appropriate agency before adding or changing directors or senior executive officers if certain trigger circumstances exist. Notice is required if the bank or thrift is not in compliance with applicable minimum capital requirements of if the bank or thrift is otherwise in troubled condition.

Action/Status: Each of the agencies has revised its notification rules to incorporate changes required by EGRPRA as well as other burden reducing initiatives. The OCC's final rule was issued on November 27, 1996 as part of the revision to Part 5 of its regulations [61 FR 60363 (1996)]. The FDIC's rule was revised in conjunction with the comprehensive revision of its applications procedures [63 FR 44686 (1998)]. Similarly, the FRB's rule was revised on February 28, 1997 in connection with the revision of Regulation Y [62 FR 9341]. The OTS issued a final rule on September 25, 1998 [63 FR 51272 (1998)].

Title: **Policy Statement Concerning Branch Closing Notices and Policies**

Subject Matter: This 1993 interagency policy statement provides guidance to insured depository institutions concerning requirements that an institution provide prior notice of any proposed branch closing and establish internal policies for branch closings.

Action/Status: The agencies revised the policy statement in June 1999 [64 FR 34844 (1999)] to reflect statutory changes incorporated in section 106 of the Interstate Act of 1994 and section 2213 of EGRPRA.

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[27] 12 CFR § 303.14 and 12 CFR §§ 303.151-155 were consolidated into 12 CFR Part 303, Subpart F. *See* 63 FR 44686 (1998).
[28] 12 CFR §§ 225.71-73 were revised and renumbered as 12 CFR Part 225, Subpart H. *See* 62 FR 9341 (1997).
[29] 12 CFR § 574.9 was moved to 12 CFR Part 563, Subpart H. *See* 63 FR 51272 (1998).

Title: **Policy Statement on Intercorporate Income Tax Payments**

Subject Matter: In 1978, the FDIC, FRB, and OCC each adopted a policy statement on intercorporate income tax payments between bank holding companies and banks. This statement was issued to address a questionable income tax payment practice in which some bank holding companies and their bank subsidiaries had engaged that had the effect of transferring assets from the subsidiary to the parent company without offsetting benefits to the bank subsidiary. It established the general principle that a bank that is a subsidiary of a holding company should be no less well off as a result of its cash income tax payments to and reimbursements from its parent than it would have been had it paid taxes as a separate entity. The OTS issued a similar policy in 1990.

Action/Status: The agencies have replaced their individual policy statements with a joint statement [63 FR 64757 (1998)]. The joint policy statement provides guidance regarding the allocation and payment of taxes by banks and savings associations that file an income tax return as members of a consolidated group. The policy specifies that, in general, intercorporate tax settlements between an institution and its parent company should be conducted in a manner that is no less favorable to the institution than if it were a separate taxpayer.

Title: **Policy Statement on Securities Lending**

Subject Matter: In 1985, the agencies issued a policy statement to provide guidance to those institutions engaged in bank and customer securities lending. The policy statement identifies the capacities in which institutions may engage in securities lending and provides guidelines for recordkeeping, administration, credit and collateral requirements.

Action/Status: On July 30, 1997 the FFIEC published a notice making minor changes to this interagency policy statement in order to update certain outdated and duplicative material [62 FR 40816 (1997)]. Specifically, the extended discussion of how to report securities lending activities on the Consolidated Reports of Condition and Income (Call Report) has been replaced with a cross-reference to the Call Report instructions themselves. Second, a footnote reference regarding types of collateral a broker/dealer was permitted to pledge under the Federal Reserve Board's Regulation T has been removed as it is no longer accurate. Third, two citations to Prohibited Transactions Exemptions issued by the Department of Labor concerning securities lending programs for employee benefit programs have been corrected.

Title: **Prohibition Against Payment of Interest on Demand Deposits**
FDIC - 12 CFR Part 329
FRB - 12 CFR Part 217
OCC - N/A
OTS - 12 CFR § 561.16

Subject Matter: Pursuant to section 11 of the Banking Act of 1933[30] and Section 5(b)(1) of the Home Owners Loan Act[31] banks are prohibited from paying interest on demand deposits. The FDIC, FRB, and OTS have regulations implementing this statutory prohibition. The OCC enforces the FRB regulation as it applies to national banks.

Action/Status: The agencies believe that this 1933 statutory prohibition against paying interest on demand deposits no longer serves a public purpose and would rescind their implementing regulations if this portion of the statute were repealed. Without statutory change however, the agencies cannot rescind the regulatory requirement. In the meantime, the FDIC revised its regulation in February 1998 to ensure common statutory policy in accordance with section 303 of CDRI [63 FR 8341 (1998)].

Title: **Recordkeeping and Confirmation of Securities Transactions Effected by Banks**
FDIC - 12 CFR Part 344
FRB - 12 CFR § 208.8(k)[32]
OCC - 12 CFR Part 12
OTS - N/A

Subject Matter: In 1979, the FDIC, FRB, and OCC issued substantially similar regulations governing recordkeeping and confirmation of securities transactions effected by banks. During 1995, the three agencies conducted coordinated reviews of their respective regulations.

Action/Status: In the revisions covering recordkeeping and confirmation requirements for securities transactions, the three agencies provided substantially similar restrictions. The primary differences among those restrictions involved certain areas of clarification.

The FDIC issued a revised rule in 1997 that updated and clarified the applicability of the regulation, as well as its recordkeeping, customer confirmation, and internal bank reporting requirements [62 FR 9915 (1997)]. The revision also streamlined the organization and presentation of the regulation, incorporated significant interpretations taken by the FDIC and other regulators, and reduced the costs and burdens of complying with the regulation.

The OCC issued a final rule in December 1996 [61 FR 63965 (1996)]. The rule revises the recordkeeping and confirmation requirements for certain securities transactions to update and

[30] 48 Stat. 181, ch. 89 (June 16, 1933) (codified at 12 U.S.C. § 371a).
[31] 12 U.S.C. § 1464(b)(1)
[32] 12 CFR § 208.8(k) was revised and renumbered as 12 CFR § 208.24. *See* 62 FR 9911 (1997). It was subsequently renumbered as 12 CFR § 208.34. *See* 63 FR 37629 (1998).

simplify the previous rule. The revised rule clarifies the scope of the rule, incorporates various OCC interpretative positions, and updates various provisions to address market developments and regulatory changes by other regulators.

Effective April 1, 1997, the FRB adopted final amendments to Regulation H [62 FR 9909 (1997)] pertaining to the recordkeeping and confirmation of certain securities transactions [63 FR 37629 (1998)]. The amendments accommodated developments in recordkeeping, confirmation, and settlement requirements for broker-dealers by adding certain yield-related confirmation disclosure requirements for transactions involving debt and asset-backed securities effected by State member banks for customers and provided for three-day settlement of those transactions. The amendments also clarify that State member banks that effect de minimis government securities brokerage transactions and are exempt from registration under Department of the Treasury regulations also are exempt from Regulation H. Finally, the amendments addressed the minimum recordkeeping requirements for State member banks exempt from the regulation, required State member banks to establish trading policies and procedures that separate the sales function from the back office function, liberalized the written notification requirements for periodic plans, and included several new definitions and language edits.

Title: **Reporting Requirements for Registered Securities under the Securities Exchange Act of 1934**
FDIC - 12 CFR Part 335
FRB - 12 CFR § 208.16[33]
OCC - 12 CFR Part 11
OTS - 12 CFR §§ 563c, 563g

Subject Matter: The regulations on reporting requirements for registered securities consist of disclosure rules for financial institutions that have a class of securities registered under the Securities Exchange Act of 1934 (1934 Act).[34] The agencies issued the regulations to meet the requirements of the 1934 Act. The 1934 Act gives the agencies authority to administer and enforce specified sections, and requires the agencies to issue regulations that are substantially similar to comparable rules issued by the Securities and Exchange Commission (SEC).

Action/Status: The FRB and OCC rules generally incorporate by reference certain SEC rules. The OTS regulations incorporate most of the same SEC rules by reference and include some other requirements that are quite similar to SEC requirements. The FDIC revised its regulation to cross-reference the corresponding SEC rules [62 FR 6852 (1997)]. Consequently, the agencies' regulations are essentially uniform and will remain substantially similar to the SEC regulations as required by law.

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[33] 12 CFR § 208.16 was moved to 12 CFR § 208.36. *See* 63 FR 37646 (1998).
[34] 48 Stat. 881, Ch. 404 (June 6, 1934) (codified at 15 U.S.C. § 78a *et seq.*).

Title: **Reports and Public Disclosure of Indebtedness of Executive Officers and Principal Shareholders**
FDIC - 12 CFR § 349.4
FRB - 12 CFR §§ 215.10-.11, 215.20-.23
OCC - 12 CFR Part 31, Subpart B
OTS - 12 CFR § 563.43

Subject Matter: The agencies have regulations that require reporting and public disclosure of information concerning extensions of credit by the institution or its correspondent institutions to the bank's executive officers and principal shareholders. The agencies' regulations are intended to aid in the monitoring of adherence to the insider lending requirements of Regulation O.

Action/Status: The agencies currently have very similar requirements based on the statute. The OCC streamlined its regulations by amending Part 31 to directly reference Regulation O [61 FR 54536 (1996)]. The agencies are awaiting legislative action on regulatory burden reduction bills pending in Congress before making any further changes.

Title: **Repurchase Agreements of Depository Institutions with Securities Dealers and Others**

Subject Matter: In 1985, the agencies adopted an FFIEC policy statement that addresses the need for financial institutions to manage credit risk exposure to counterparties under securities repurchase agreements and to control the securities in those transactions.

Action/Status: The agencies adopted a revised FFIEC policy statement in February 1998 [63 FR 6935 (1998)]. The revised statement eliminates outdated materials to reflect the enactment of the Government Securities Act of 1986[35] and the Government Securities Amendments Act of 1993.[36] The policy statement was updated to cover the other laws and regulations applicable to repurchase agreements. These include the antifraud provisions of the securities laws, the requirements of the Uniform Commercial Code, and lending limitations. The list of written repurchase agreement provisions also was updated to reflect current market practices.

Title: **Risk-Based and Leverage Capital Adequacy Standards**

See discussion in Section B.

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[35] Pub. L. 99-571, 100 Stat. 3208 (Oct. 28, 1986) (codified at 15 U.S.C. § 78o-5).
[36] Pub. L. 103-202, 107 Stat. 2344 (Dec. 17, 1993) (codified at 15 U.S.C. § 78o-5).

Revised Since the 1996 Report

Title: **Securities Activities**

Subject Matter: In 1988, the FFIEC endorsed a policy for the selection of securities dealers and unsuitable investment practices. In 1992, the FFIEC expanded the policy to include a more comprehensive discussion about accounting for securities, and established a testing requirement for mortgage derivative products.

Action/Status: In 1998, the agencies issued the "Supervisory Policy Statement on Investment Securities and End-User Derivatives Activities" (1998 Statement) and rescinded their 1992 policy statement [63 FR 20191 (1998)]. The 1998 Statement outlines effective risk management practices for an institution's securities and end-user derivative activities. It also removes the 1992 Statement's "high-risk tests" as a binding constraint on an institution's ability to purchase certain mortgage derivative products. Instead, the 1998 Statement emphasizes the need for an institution to understand the price sensitivity of individual securities, both before purchase and on an ongoing basis, and to understand the price sensitivity of its aggregate investment portfolio.

Title: **Truth in Lending Act – Restitution**

Subject Matter: The 1980 FFIEC policy statement summarizes and explains the restitution provisions of the Truth in Lending Act (TILA). The policy statement also explains corrective actions the financial regulatory agencies believe will be appropriate and generally intend to take in those situations in which the TILA gives the agencies the authority to take equitable remedial action. The FRB is responsible for promulgating regulations (Regulation Z) under TILA.

Action/Status: The policy statement was revised to reflect revisions to Regulation Z and was published in the *Federal Register* in September 1998 [63 FR 47495 (1998)]. An interagency working group is now working on related questions and answers.

Title: **Uniform Financial Institutions Rating System**

See discussion in Section B.

Title: **Uniform Policy for Classification of Consumer Installment Credit Based on Delinquency**

See discussion in Section B.

Rescinded Since the 1996 Report

Title: **Agricultural Loan Loss Amortization**
FDIC - 12 CFR Part 324
FRB - 12 CFR § 208.15[37]
OCC - 12 CFR Part 35
OTS - N/A

Subject Matter: Title VIII of the Competitive Equality Banking Act of 1987[38] sought to alleviate some of the financial pressures facing agricultural banks by permitting an agricultural bank (defined as a bank with 25 percent or more of assets related to agricultural activities) to amortize certain losses arising from agricultural loans, over a period not to exceed seven years.

Action/Status: The FDIC, FRB, and OCC regulations were substantially uniform and established sunset provisions that coincided with the statutory limits. Pursuant to those provisions, the regulations expired on January 1, 1999. The OTS did not have a regulation because the underlying statutory authority applied only to banks.

Title: **Community Reinvestment Act Assessment Rating System**
Community Reinvestment Act Information Statement
Community Reinvestment Act Joint 1989 Policy Statement
Community Reinvestment Act Policy Analyses of Geographic Distribution of Lending

Subject Matter: The various policy statements listed above were developed by the agencies to assist financial institutions subject to the CRA in interpreting the regulations. They also provided guidance and clarification on compliance with the CRA.

Action/Status: Pursuant to CDRI, the agencies have rescinded these policy statements because they were rendered obsolete by the 1995 revisions to the regulation implementing the CRA [64 FR 16453 and 16578 (1999)].

Title: **Coordination of Bank Holding Company Inspections and Subsidiary Bank Examinations**

Subject Matter: This 1979 FFIEC policy statement outlined a framework for coordinating holding company inspections and lead bank examinations for holding companies with combined assets of $10 billion or more; for holding companies with CAMELS ratings of 4 or 5; and for holding companies where the lead bank has a CAMELS rating of 3 and is deteriorating rapidly.

Action/Status: Consistent with the FFIEC action discussed in the 1996 Report, the FDIC rescinded the 1979 policy statement and adopted the subsequent interagency policy statement that superceded it.

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[37] 12 CFR § 208.15 was renumbered as 12 CFR § 208.23. *See* 63 FR 37641 (1998).
[38] Pub. L. 100-86, 101 Stat. 552 (Aug. 10, 1987) (codified at 12 U.S.C. § 1841 note and 4001 note *et seq.).*

Title: Disclosure of Statutory Enforcement Actions

Subject Matter: This FFIEC Policy Statement was jointly issued by the agencies on January 22, 1980 to govern disclosure of information relating to statutory enforcement actions. The policy statement was designed to ensure that the agencies made public the substantive standards used by the agencies in taking statutory enforcement actions. In accordance with this policy, the agencies prepared, on a semiannual basis, a written summary of every final cease and desist, suspension, removal, civil money penalty and insurance termination order as well as every formal supervisory written agreement issued pursuant to statute taken since the last reporting date.

Action/Status: The agencies withdrew this policy statement in March 1997 [62 FR 11894 (1997)]. The policy statement was superseded by section 913 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989[39] (FIRREA). This statutory provision mandated that the federal banking agencies publish and make available on a monthly basis any final order issued with respect to any administrative enforcement action and any modification or termination of such order. If there is a serious threat to the safety or soundness of an insured depository institution, the agencies may delay the publication of such order for a reasonable period of time but they must report the delayed publication to Congress.

Section 918 of FIRREA required the federal banking agencies to submit an annual report to Congress giving specific information relating to enforcement actions, civil money penalties, criminal referrals, and recommendations concerning the need for additional legislation or financial resources. This provision was rescinded on September 30, 1996 by the Omnibus Consolidated Appropriations Act, 1997.[40]

Title: Improper and Illegal Payments by Banks and Bank Holding Companies

Subject Matter: This 1978 joint policy statement issued by the FDIC, FRB, and OCC provides information to insured institutions and holding companies about political contributions, bribes, and other payments which may be illegal or may constitute unsafe or unsound practices by identifying certain devices used to make questionable payments. The policy statement also encourages organizations to review their corporate policies and accounting practices to ensure that their funds are applied only for proper purposes. Organizations are reminded that appropriate enforcement actions will be taken or referrals to law enforcement agencies will be made when violations of law or unsafe or unsound banking practices result from improper payments. The principles enunciated in the policy statement essentially cover the Foreign Corrupt Practices Act of 1977[41] (FCPA) and the Federal Election Campaign Act of 1971.[42]

[39] Pub. Law 101-73, 103 Stat. 183 (Aug. 9, 1989) (codified at 12 U.S.C. § 1818(u)).
[40] Pub. L.104-208, Div. A, title II, § 2224(b), 110 Stat. 3009-415 (Sept. 30, 1996).
[41] Pub. L. 95-213, title I, 91 Stat. 1494-1498 (Dec. 19, 1977).
[42] Pub. L. 92-220, Sec. 2, 85 Stat. 795) (Dec. 23, 1971).

Action/Status: The agencies rescinded this policy statement in April 1997 [62 FR 17817 (1997)]. The policy statement consisted of statements that should be self-evident to banking organizations, *e.g.*, that they are expected to conduct their operations in accordance with applicable laws and that improper payments may reflect adversely on an organization's management. The agencies have not routinely issued policy statements governing the other criminal statutes that relate to banks. Therefore, although this policy statement may have been informative when it was first issued, the agencies determined it was no longer beneficial to retain it. The agencies have implemented examination guidelines to enforce the FCPA.

Title: **Internal Control for Foreign Exchange Activities in Commercial Banks**

Subject Matter: The 1980 FFIEC guidelines set forth minimum internal controls for foreign exchange activities for commercial banks.

Action/Status: The FFIEC rescinded this policy statement in 1997 [62 FR 9767 (1997)]. The 1980 guidance had become outdated in view of numerous changes that have subsequently taken place, including the scope and depth of foreign exchange trading activities in banks, new product developments, significant improvements in automated trading systems, and the management of the business along product lines. These conditions prompted each agency to issue updated examination and/or policy procedures for U.S. banks as well as for foreign banks doing business in the U.S.

Title: **Policy Statement on Money Laundering**

Subject Matter: This 1992 FFIEC policy statement addresses the use of large-value funds transfers for money laundering. It recommends that banks maintain certain records of funds transfers originated or received at the institution to help detect and aid in the investigation of suspected money laundering.

Action/Status: The FFIEC and banking agencies have rescinded this policy statement [62 FR 10855 (1997)]. The statement is no longer needed due to amendments to the Bank Secrecy Act that require financial institutions to maintain records for wire transfers. Treasury and the FRB jointly issued rules on May 28, 1996 addressing wire transfer recordkeeping requirements that reflect these statutory changes.

Title: **Policy Statement on the Sale of U.S. Government Secured Loans and Sales Premiums**

Subject Matter: This 1985 FFIEC policy statement outlines supervisory recommendations for financial institutions that purchase, originate, or sell United States Government guaranteed loans. The guidance addressed accounting for income and balance sheet recognition.

Action/ Status: This issuance was repealed by the FFIEC [62 FR 16158 (1997)]. Accounting changes and Call Report Instructions rendered the policy statement outdated.

Title: **Statement of Policy on Supervision of U.S. Branches and Agencies of Foreign Banks**

Subject Matter: This 1979 FFIEC policy statement described the authorities conveyed by the International Banking Act of 1978 and how the banking agencies intended to supervise and examine the United States offices of foreign banks.

Action/Status: The agencies rescinded this policy statement. It was outdated given the 1991 amendments to the International Banking Act[43] and the agencies' current supervisory approaches for foreign banks in the U.S. [63 FR 17056 (1998)]. The agencies have incorporated the provisions of the International Banking Act into their examination policies and handbooks.

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[43] Pub. L. 102-242, title II, 105 Stat. 2286 (Dec. 19, 1991) (codified at 12 U.S.C. 3101 *et seq.)*

Retained by the Agencies

Title: **Banks as Securities Transfer Agents**
FDIC - 12 CFR Part 341
FRB - 12 CFR § 208.8(f)[44]
OCC - 12 CFR § 9.20
OTS - N/A

Subject Matter: These regulations are issued pursuant to section 17A(c)(1) of the Securities and Exchange Act of 1934.[45] The regulations require that organizations that transfer certain securities must register with the appropriate agency of the federal government. Banks are required to: (1) register as transfer agents; and (2) file as-needed amendments to keep registration information current.

Action/Status: The functional requirements imposed by the regulations are uniform among the FDIC, FRB, OCC, and the SEC. The FDIC's regulation requires the state nonmember banks that it regulates to de-register if they cease functioning as transfer agents. FRB and OCC have no comparable requirement in their regulations, and cover the issue of de-registration in their examination handbooks and manuals.

Title: **EDP Interagency Examination, Scheduling and Distribution Policy**

Subject Matter: This 1991 FFIEC policy statement sets forth guidelines for conducting joint or rotated information systems examinations of data centers providing electronic data processing services to insured institutions supervised by more than one Federal agency. This includes examinations under the Multi-regional Data Processing Services program, which covers the 16 servicers representing a high degree of systemic risk to the industry. The policy statement also includes examination report distribution policies and procedures.

Action/Status: The agencies have retained this policy statement in the FFIEC Information Systems Examination Handbook. The agencies believe that the policy statement provides sufficient flexibility to allow for coordinated joint examinations of data centers.

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[44] 12 CFR § 208.8(f) was moved to 12 CFR § 208.30. *See* 63 FR 37646 (1998).
[45] 48 Stat. 881, ch. 404 (June 6, 1934) (codified at 15 U.S.C. 78a through 78jj).

Ongoing Project

Title: **Equal Credit Opportunity and Fair Housing Acts Enforcement Policy Statement**

Subject Matter: The 1981 FFIEC policy statement and companion enforcement guide ensure that the rights of credit applicants are protected by requiring creditors to take corrective action for certain, more serious past violations of the ECOA and FHA, as well as to be in compliance in the future. The agencies encourage voluntary correction and compliance with these Acts. The policy statement lists violations that are considered serious and may be subject to retroactive corrective action.

Action/Status: The FFIEC's Fair Lending Examination Procedures Subcommittee has recently completed and issued Interagency Fair Lending Examination Procedures. The Subcommittee is now working on a revised interagency supervisory enforcement policy statement.

D. CDRI Actions Taken As Of the 1996 Report

1. Regulations and Policies Revised by One or More Agencies

Community Reinvestment Act Regulations
Loans in Identified Flood Hazard Areas
Management Official Interlocks
Reports of Crimes or Suspected Crimes
Retail Sales of Nondeposit Investment Products
Standards for Safety and Soundness

2. Regulations and Policies Rescinded by One or More Agencies

Delayed Availability of Funds
FFIEC Statement on the Home Mortgage Disclosure Act
Policy Statements on Advertising of NOW Accounts

3. Regulations and Policies Retained by the Agencies

Appraisal Standards for Federally Related Transactions
Bank Secrecy Act Compliance
Discrimination
FFIEC Policy Statement on Basic Financial Services
Interagency Policy Statement on Coordination and Communication Between External Auditors and Examiners
Interagency Policy Statement on Documentation for Loans to Small- and Medium-sized Businesses and Farms
Interagency Statement on EDP Service Contracts
Large Scale Integrated Financial Software Systems (LSIS)
Policy Statement on Discrimination in Lending
Prescreening by Financial Institutions and the Fair Credit Reporting Act
Prompt Corrective Action
Real Estate Lending Standards
Securities Issued by Banks
Security Devices and Procedures
Uniform Interagency Consumer Compliance Rating System
Uniform Rules of Practice and Procedure