



**I. INDEBTEDNESS (Continued)**

	NON-CREDENTIALLED	CREDENTIALLED
<p><b>3) Waiver Provisions:</b> (Borrowing Prohibition)</p>	<p><b>Old:</b> N/A</p> <p><b>New:</b> The Reserve Bank Ethics Officer may grant a waiver from the temporary prohibition on seeking new credit (See item A.2) based on a determination that the waiver is not prohibited by law and will not result in a conflict of interest.</p>	<p><b>Old:</b> None.</p> <p><b>New:</b> The Director of the Board's Division of Banking Supervision and Regulation may waive the borrowing restrictions and permit an examiner to borrow from a regulated entity under the following conditions: 1) the examiner can demonstrate that the credit is not available from a permissible source on comparable terms and that absent a waiver financial hardship will ensue; 2) the examiner has never examined the lending institution; 3) the examiner will be borrowing from an out-of-district institution; 4) it is feasible to restrict the examiner from examining the lender and its affiliates; 5) the examiner is issued a restricted credential stating that the examiner is not authorized to examine the lender.</p>

	NON-CREDENTIALLED	CREDENTIALLED
<p><b>4) Debt of Spouses and Dependent Children</b></p> <p><b>Borrowing Prohibitions:</b></p>	<p><b>Old :</b> No prohibitions.</p> <p><b>New:</b> No prohibitions.</p> <p>(For recusal requirements, see Section I.B.)</p>	<p><b>Old:</b> No prohibitions.</p> <p><b>New:</b> Borrowing prohibitions for examiners applied to spouses and dependent children with an <u>exception</u> for credit that is :</p> <ol style="list-style-type: none"> <li>1) supported only by the income or independent means of the spouse or dependent child;</li> <li>2) on terms and conditions no more favorable than those offered to the public; <u>and</u></li> <li>3) not negotiated, endorsed, co-signed, or guaranteed by the examiner.</li> </ol> <p>(For recusal requirements, see Section I.B.)</p>

I. INDEBTEDNESS (Continued)

(Recusal By Job Function)	OTHER SUPERVISORY MATTERS	EXAMINATIONS AND INSPECTIONS
<p><b>B. <u>Recusal Requirements pertaining to Indebtedness:</u></b></p> <p><b>1) For Work Assignments While Borrowing</b></p> <p><b>2) After Repayment of Debt</b></p> <p><b>3) Waiver Provision:</b></p> <p><b>4) Debt of Spouses and Dependent Children: Recusal Requirements</b></p> <p><b>5) Business Debt and Other Situations Requiring Recusal:</b></p>	<p><b>Old:</b> Varies among Banks for S&amp;R staff.</p> <p><b>New:</b> Recusal required, except for consumer indebtedness, defined below:</p> <ol style="list-style-type: none"> <li>1) amortizing consumer loans;</li> <li>2) credit cards;</li> <li>3) overdraft protection lines; and</li> <li>4) home equity lines of credit.</li> </ol> <p><b>Old:</b> None. <b>New:</b> None.</p> <p><b>Old:</b> None</p> <p><b>New:</b> The Reserve Bank Ethics Officer may grant a waiver allowing an individual to participate in an assignment based on a determination that the waiver is: 1) not prohibited by law, and 2) will not result in a conflict of interest.</p> <p><b>Old:</b> Varies among Banks for S&amp;R departments.</p> <p><b>New:</b> Recusal rules are the same as if the debt were the employee's own, except where the debt was obtained solely on the basis of the spouse's or dependent child's income <u>and</u> the employee has no knowledge of the identity of the lender.</p> <p><b>New:</b> An employee may not participate in an assignment when the employee learns credit is being sought or has been obtained by the following related parties: 1) a spouse or dependent child (see above); 2) a company or business controlled by the employee, spouse, or dependent child; or 3) a partnership where the employee, spouse, or dependent child is a General Partner.</p>	<p><b>Old:</b> Recusal required.</p> <p><b>New:</b> Recusal required, with two limited exceptions: For credit card relationships and overdraft protection lines, an examiner may participate in an examination of an <u>affiliate</u> of the institution issuing the credit to the examiner, his or her spouse or dependent child. The credit must be on the same terms and conditions available to the public.</p> <p><b>Old:</b> 12 month "cooling off" period. <b>New:</b> None.</p> <p><b>Old:</b> None.</p> <p><b>New:</b> A waiver may be provided in limited circumstances where 1) the borrowing relationship was not originated at the institution or its affiliates and transfer of the debt resulted from a merger, consolidation, loan sale, or other event outside of the examiner's control; 2) borrowing was originated more than 6 months prior to the proposed assignment; 3) type of borrowing is an amortizing consumer loan or home equity line; 4) examiner's participation is critical to completing the assignment or mandates; and 5) opinion of Ethics Officer.</p> <p><b>Old:</b> Debt imputed to examiner; therefore, recusal required.</p> <p><b>New:</b> Recusal rules are the same as if the debt were the examiner's own (i.e. See requirements, above). Credentialed staff are covered by the same exception as for other supervisory personnel. However, all staff, including examiners, are expected to report such debt to the best of his or her knowledge.</p> <p><b>New:</b> Same rule is generally applicable to examiner. However, since examiner borrowing prohibitions apply in most circumstances, there will seldom be a need for recusal.</p>

**CONFLICT OF INTEREST RULES FOR RESERVE BANK PERSONNEL  
WITH SUPERVISION RESPONSIBILITIES**

**II. EMPLOYMENT RELATIONSHIPS**

**A. Relatives Employed at Financial Institutions**

	NON-CREDENTIALALED	CREDENTIALALED
<b>1) Disclosure Requirement</b>	<p><b>Old:</b> Varies among Reserve Banks.</p> <p><b>New:</b> Disclosure of Immediate Family (spouse, children, parents, siblings) employed by depository institutions or their affiliates.</p>	<p><b>Old:</b> Disclosure required, but family definition varies among Reserve Banks.</p> <p><b>New:</b> Same as for non-credentialed.</p>
<b>Recusal Requirement</b>	<p><b>Old:</b> Varies among Reserve Banks.</p> <p><b>New:</b> Recusal is required unless supervising officer, with the concurrence of the Bank Ethics Official determines that recusal is not necessary to avoid the appearance of a conflict of interest.</p>	<p><b>Old:</b> Recusal required.</p> <p><b>New:</b> Same as for non-credentialed.</p>

**B. Former Employers**

	NON-CREDENTIALALED	CREDENTIALALED
<b>1) Recusal Requirement</b>	<p><b>Old:</b> Policy varies among Reserve Banks.</p> <p><b>New:</b> Reserve Banks: Same rule as for credentialed personnel .</p>	<p><b>Old:</b> Recusal generally required. Length of recusal varies among Reserve Banks.</p> <p><b>New:</b> Recusal for at least one year. Reserve Bank will determine, based on the relevant circumstances, if the recusal period should be extended beyond the one year period. Reserve Bank may waive the one-year recusal requirement after reviewing and weighing all relevant facts.</p>

	Federal Reserve System Employees	Supervision and Regulation	
		NON-CREDENTIALLED	CREDENTIALLED
<b>A. General Rule</b>	<b>Old:</b> Prohibit purchase of equity securities of a bank, affiliate, or government securities dealer.	SAME RULE	SAME RULE
	<b>New:</b> Prohibit direct or indirect ownership/control of debt or equity interest in a depository institution or an affiliate (and debt or equity securities of <i>primary</i> dealers and affiliates.)	SAME RULE	SAME RULE
<b>B. Exceptions:</b>  1) <b>Nonbanking Holding Companies</b>  2) <b>Mutual Funds</b>	<b>Old:</b> Holding equity interest in publicly held holding companies (e.g. Sears, 3M Corp, AT&T), their nonbank subsidiaries, and trust companies not deemed to be banks is not technically permissible.	SAME RULE	SAME RULE
	<b>New:</b> Narrow exception for an investment in certain diversified holding companies owning a bank or thrift such as a credit card bank or a nonbank bank (See Uniform Code of Conduct).	SAME RULE	SAME RULE
	<b>Old:</b> Not specific. Indirect banking investments generally allowed through well-diversified mutual funds.	SAME RULE	SAME RULE
	<b>New:</b> Allow indirect investments through mutual funds unless the fund has a stated policy of concentrating in the financial services sector.	SAME RULE	SAME RULE

<p><b>C. Waiver Provisions</b></p>	<p><b>Old:</b> Waiver may be granted after full disclosure in writing and approval by senior management at the Reserve Bank</p> <p><b>New:</b> Waiver may be granted by Bank Ethics Official in consultation with Division Management so long as:</p> <ol style="list-style-type: none"> <li>1) extenuating circumstances exist (e.g. acquired prior to Federal Reserve employment or through circumstances beyond employee's control (gift, inheritance, trust arrangements, merger.);</li> <li>2) prompt and full written disclosure is made;</li> <li>3) employee may be disqualified from matters affecting the institution and its affiliates; and</li> <li>4) granting a waiver is consistent with Division policy</li> </ol> <p>(Written disclosure and recusal required)</p>	<p><b>Old:</b> No waivers in S&amp;R (informal)</p> <p><b>New: *</b> Same as for credentialed staff.</p> <p>(90-day procedure is not applicable to non-credentialed staff.)</p> <p>*Approved 1/17/95</p> <p>(Same)</p>	<p><b>Old:</b> No waivers. (informal)</p> <p><b>New: *</b> Generally, waivers granted on a limited basis. Confer with Board staff to determine appropriateness of a waiver.</p> <p>(General procedure: examiners have 90 days from initial appointment date to resolve issues.)</p> <p>*Approved 1/17/95</p> <p>(Same)</p>
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III. INVESTMENTS (Continued)

	Federal Reserve System Employees	Supervision and Regulation	
		NON-CREDENTIALLED	CREDENTIALLED
<p><b>D. Investments of Spouse or Dependent Children</b></p> <p><b>1) Prohibitions</b></p> <p><b>2) Recusal Requirements</b></p>	<p><b>Old:</b> None. (Employees must disclose interests of spouses and dependent children)</p> <p><b>New:</b> Same as for employee, with the following exceptions that allow investment when:</p> <p>1) Spouse's ownership is part of an employment compensation package; or</p> <p>2) Acquired prior to marriage to employee.</p> <p>Interests imputed to the employee; Recusal required to the extent the employee has knowledge of the investment.</p>	<p>SAME RULE</p> <p>SAME RULE</p>	<p>SAME RULE</p> <p>SAME RULE</p>