

Regulatory Simplification

In 1978 the Board of Governors established a program of regulatory review to help minimize the burden of regulation on banking organizations. The objectives of the program are to ensure that all regulations, existing and proposed, represent the best course of action; to afford interested parties the opportunity to participate in the design of regulations and to comment on them; and to ensure that regulations are written in simple, clear language. Staff members regularly review Federal Reserve regulations for their adherence to these objectives and their consistency with the Regulatory Flexibility Act, which also requires that consideration be given to the economic consequences of regulation on small business. In its review process, the Board also follows the mandates of section 303 of the Riegle Community Development and Regulatory Improvement Act.

In 1998 the Board, as part of this review process, revised Regulation H and Regulation I and eliminated Regulation P by incorporating its provisions into the revised Regulation H. It also modified Regulation D to reduce regulatory burden and initiated formal reviews of two other major regulations, Regulations B and C.

Comprehensive Revisions Adopted

Regulations H and P Membership in the Federal Reserve System, and Bank Protection Act

The Board proposed in 1997 to amend subpart A of Regulation H, which con-

cerns the general provisions for membership in the Federal Reserve System, and the associated interpretations in subpart E; it also proposed to incorporate Regulation P into Regulation H. In June 1998, on the basis of public comments, the Board adopted a revised proposal, effective October 1998. In general, the amendments as adopted reorganized, clarified, and reduced the burden of compliance with subpart A. They did away with obsolete procedures and other unnecessary provisions, reflect the requirements of the Community Reinvestment Act in applications to establish branches, and provide expedited procedures in connection with certain membership and branch applications. In adopting the amendments the Board also eliminated a number of interpretations that had been included in Regulation H.

Former Regulation P implemented the requirements of the Bank Protection Act of 1968. Although the amendments that subsumed Regulation P into the revised subpart A of Regulation H did not substantively amend the terms of Regulation P, the move has simplified compliance for state member banks by consolidating the requirements into one regulation.

Regulation I

Issue and Cancellation of Federal Reserve Bank Capital Stock

In June 1998 the Board adopted amendments to Regulation I that had been proposed in March 1997. The amendments, which took effect in October 1998, simplified, modernized, and condensed the regulation and reflect the replacement of share certificates by a

book-entry system. They also codified interpretations previously issued by the Board of Governors and by staff members. Finally, the amendments eliminated references to specific forms, many of which were obsolete.

Other Revisions Adopted

Regulation D Reserve Requirements of Depository Institutions

In March 1998 the Board adopted amendments to Regulation D that had been proposed in November 1997. The revisions, which took effect in the summer, improved the Board's ability to estimate the need for reserves on a timely basis and at the same time reduced regulatory burden on certain depository institutions. They moved institutions that report deposits weekly from a system of contemporaneous reserve maintenance to a system under which reserves are maintained on a lagged basis. The reserve maintenance period for weekly reporters now begins thirty days after the beginning of a reserve computation period; it formerly began two days after the beginning of a computation period. The longer time between computation and maintenance of reserves is expected to facilitate compliance by weekly reporting institutions.

Comprehensive Revisions Proposed

Regulation B Equal Credit Opportunity

In March 1998 the Board issued an advance notice of proposed rulemaking as the first step in its review of Regulation B, which implements the provisions

of the Equal Credit Opportunity Act. The act makes it unlawful for creditors to discriminate against an applicant for credit in any aspect of a credit transaction on the basis of race, color, religion, national origin, sex, marital status, age, or other specified bases. The review will determine whether Regulation B needs to be revised to address technological and other developments; will identify parts of the regulation that could be revised to achieve a better balance between consumer protections and industry burden; and will eliminate obsolete provisions. To gather information needed to accomplish these objectives, the notice requested comment on several specific issues, including pre-application marketing practices, inquiry versus application, voluntary data collection on specific characteristics of applicants, the definition of creditor, documentation for business credit, and business credit exemptions.

Regulation C Home Mortgage Disclosure

In March 1998 the Board issued an advance notice of proposed rulemaking as the first step in its review of Regulation C, which implements the Home Mortgage Disclosure Act. The review will identify ways in which the regulation can be revised to reduce regulatory burden and to respond to technological and other developments. The advance notice solicited comment on such specific issues as reporting pre-approvals, reporting refinancings and home improvement loans, geocoding purchased loans, reporting temporary financing, reporting mobile home transactions as a separate category, and reporting additional characteristics of mortgage loan transactions. ■