

FEDERAL RESERVE SYSTEM
12 CFR Part 229
[Regulation CC; Docket No. R-1027]
Availability of Funds and Collection of Checks.

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Notice of proposed rulemaking.

SUMMARY: The Board of Governors of the Federal Reserve System (the Board) is proposing to amend 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.

DATES: Comments must be received by January 4, 1999.

ADDRESSES: Comments, which should refer to Docket No. R-1027, may be mailed to Ms. Jennifer Johnson, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, N.W., Washington, D.C. 20551. Comments addressed to Ms. Johnson may also be delivered to the Board's mail room between 8:45 a.m. and 5:15 p.m., and to the security control room at all other times. Both the mail room and the security control room are accessible from the courtyard entrance on 20th Street between Constitution Avenue and C Street, N.W. Comments may be inspected in room MP-500, pursuant to § 261.12 of the Board's Rules Regarding Availability of Information, between 9:00 a.m. and 5:00 p.m., except as provided in § 261.14 of those same Rules. (12 CFR 261.12 and 261.14)

FOR FURTHER INFORMATION CONTACT: Jean Anderson, Staff Attorney, Legal Division (202/452-3707). For the hearing impaired only, Telecommunications Device for the Deaf (TDD), Diane Jenkins (202/452-3544).

SUPPLEMENTARY INFORMATION: The Board is proposing to amend Regulation CC to allow banks that consummate merger transactions on or after July 1, 1998, and before June 1, 1999, greater time to implement software changes related to the merger. The Board recognizes that banks are currently dedicating their automation resources to renovating and testing software and replacing noncompliant systems to address Year 2000 and leap year computer problems. Because a large amount of banks' automation resources may be dedicated to these efforts, banks may be challenged to make and test other programming changes, including those that may be required to comply with Regulation CC's merger transition provisions, thus potentially jeopardizing the success of their Year 2000 efforts and/or their system integration efforts due to the merger. Therefore, the Board is proposing to allow banks that consummate a merger on or after July 1, 1998, and before June 1, 1999, to be treated as separate banks until June 1, 2000. Beginning in June 1999, the normal one-year transition period will resume.

The Board requests comment on the need for this amendment and whether the proposed liberalization of the regulation's merger transition provisions is 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.

Initial Regulatory Flexibility Analysis

The Regulatory Flexibility Act (5 U.S.C. 601-612) requires an agency to publish an initial regulatory flexibility analysis with any notice of proposed rulemaking. The initial regulatory flexibility analysis (5 U.S.C. 603(b)) requires an agency to describe the reasons why the proposed rule is being considered and a statement of the objectives of, and legal basis for, the proposed rule. The "Supplementary Information" above, contains this information. The proposed rule requires no additional reporting or recordkeeping requirements and does not overlap with other federal rules.

The initial regulatory flexibility analysis also requires a description of, and where feasible, an estimate of the number of small entities to which the proposed rule will apply. The proposal will apply to all insured banks, as defined in section 3 of the Federal Deposit Insurance Act (12 USC 1813) as well as banks that are eligible to apply to become an insured bank under section 5 of that act (12 U.S.C. 1815). As of June 30, 1998, there were 10,712 insured banks. 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 effect on small institutions.

List of Subjects in 12 CFR Part 229

Banks, banking, Federal Reserve System, Reporting and recordkeeping requirements.

For the reasons set forth in the preamble, the Board proposes to amend Regulation CC, 12 CFR Part 229 as set forth below:

PART 229 - AVAILABILITY OF FUNDS AND COLLECTION OF CHECKS (REGULATION CC)

1. The authority citation for part 229 continues to read as follows:

Authority: 12 U.S.C. 4001 *et seq.*

2. In § 229.19, paragraph (g) is redesignated as paragraph (g)(1), a heading is added for newly designated paragraph (g)(1), and a new paragraph (g)(2) would be added to read as follows:

§ 229.19 Miscellaneous.

(g) Effect of merger transaction. (1) In general. ***

(2) Merger transactions on or after July 1, 1998, and before June 1, 1999. If banks have consummated a merger transaction on or after July 1, 1998, and before June 1, 1999, the merged banks may be considered separate banks until June 1, 2000.

3. In § 229.40 the existing text is redesignated as paragraph (a), a heading is added for newly designated paragraph (a), and a new paragraph (b) would be added to read as follows:

§ 229.40 Effect of merger transaction.

(a) In general. ***

(b) Merger transactions on or after July 1, 1998, and before June 1, 1999. If banks have consummated a merger transaction on or after July 1, 1998, and before June 1, 1999, the merged banks may be considered separate banks until June 1, 2000.

By order of the Board of Governors of the Federal Reserve System, November 25, 1998.

Jennifer J. Johnson,
Secretary of the Board. BILLING CODE 6210-01-P