rules and regulations

Title 12—Banks and Banking

CHAPTER II—FEDERAL RESERVE SYSTEM

SUBCHAPTER A—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

[Regs. K and Y]

PART 211—CORPORATIONS ENGAGED IN FOREIGN BANKING AND FINANCING UNDER THE FEDERAL RESERVE ACT

PART 225—BANK HOLDING COMPANIES

Computation of Amount Invested in Foreign Corporations Under General Consent Procedures

SEPTEMBER 15, 1975.

Under § 211.8(a) of Regulation K, the Board of Governors grants its general consent for a corporation organized under section 25(a) of the Federal Reserve Act (an "Edge Act Corporation") to invest, directly or indirectly, in the shares of foreign corporations not doing business in the United States; but no investment thereunder shall cause an Edge Act Corporation to have invested more than $500,000 in the shares, or to hold more than 25 percent of the voting shares, of any foreign corporation. The Board of Governors has ruled that in computing the $500,000 limitation under these general consent procedures, an Edge Act Corporation must include not only amounts actually paid in to the foreign corporation for its shares but also unpaid amounts on the shares of the corporation for which the Edge Act Corporation will be liable. If the total of such amounts exceeds $500,000, the Edge Act Corporation must apply for the Board's specific consent to make such investment.

This interpretation also applies to the foreign investments of domestic bank holding companies since, under Regulation Y, the consent procedures of Regulation K also govern such investment.

Effective September 12, 1975, 12 CFR Parts 211 and 225 are amended by adding a new § 211.111 and a new § 225.133 to read, as follows:

§ 211.111 Computation of amount invested in foreign corporations under general consent procedures.

(a) Under § 211.8(a) of Regulation K, the Board of Governors grants its general consent for a corporation organized under section 25(a) of the Federal Reserve Act (an "Edge Act Corporation") to invest, directly or indirectly, in the shares of foreign corporations not doing business in the United States; but no investment thereunder shall cause an Edge Act Corporation to have invested more than $500,000 in the shares, or to hold more than 25 percent of the voting shares, of any foreign corporation. Under § 225.4(f)(2) of Regulation Y, these general consent procedures also govern the foreign investments of domestic bank holding companies made pursuant to section 4(c)(13) of the Bank Holding Company Act of 1956, as amended.

(b) In computing the $500,000 limitation under the general consent procedures, an Edge Act Corporation or bank holding company must include not only amounts actually paid in for the shares of the foreign corporation but also any unpaid amounts on the shares of the foreign corporation for which the Edge Act Corporation or bank holding company will be liable. If the total of such amounts exceeds $500,000, then the Edge Act Corporation or bank holding company must apply for the Board's prior specific consent to make such investment.

(c) For example, an Edge Act Corporation plans to acquire a 20 per cent interest in a proposed foreign corporation by subscribing to 60,000 shares with a par value of $10 per share. Initially, the shares will be 50 per cent paid in for an initial investment of $300,000; under the Articles of Association of the proposed corporation, the unpaid balance of $300,000 on the shares may be called at any time at the discretion of the corporation's board of directors. It appears that some Edge Act Corporations have in this situation only included in their computation the $300,000 intially paid in to the foreign corporation, and would thus acquire the shares of the foreign corporation under the general consent procedures. The Board has determined that in this situation the total amount invested for purposes of the general consent procedures is $600,000, as the Edge Act Corporation must include in the computation its liability for the unpaid balance on the shares. The proposed investment in this situation would therefore require prior specific Board consent.

§ 225.133 Computation of amount invested in foreign corporations under general consent procedures.

For text of this interpretation, see § 211.111 of this subchapter.

By order of the Board of Governors of the Federal Reserve System, September 12, 1975.

[SEAL] THEODORE E. ALLISON,
Secretary of the Board.

[FR Doc.75-24960 Filed 9-18-75;8:45 am]

[Reg. Z]

PART 226—TRUTH IN LENDING

Open End Credit Accounts—Specific Disclosures

On December 27, 1974, the Board of Governors published for comment in the FEDERAL REGISTER (39 FR 44779) a proposed amendment to the open-end credit disclosure requirements of Regulation Z (§ 226.7(f)). The proposal required open-end creditors sending to their credit cardholders blank checks or other credit devices which are intended to be used in connection with such open-end credit accounts to include a clear disclosure statement of the charges and other pertinent credit information specifically related to the use of blank checks or other credit devices delivered. The proposed amendment required such disclosure only the first time the blank checks or other credit devices were sent to the customer, but not when later renewed or resupplied.

Following consideration of 44 comment letters received on this proposal, the Board revised the proposed language and hereby promulgates it in final form. Two significant clarifications have been made to the regulatory requirement as proposed: The language of the regulation has been clarified to indicate that the term "credit devices" does not apply to credit cards and to indicate that the disclosure requirement is not applicable to checks used in conjunction with a demand deposit account, even though such checks may also activate a cash advance under an open-end credit account.

In response to concerns over the need for such disclosures where these blank checks have been provided to a customer shortly after the opening of an account, the regulation has been revised to indicate that the disclosures need not be made unless the blank checks are mailed or delivered to the customer subsequent to 30 days after the delivery of the initial open-end credit disclosures. In response to questions concerning the location of the disclosures accompanying the blank checks, the revised regulation stipulates that the disclosure consist of a single written statement which shall not appear on any promotional material mailed or delivered at the same time. The disclosure statement may be printed on a separate sheet or printed on a booklet containing the checks; the statement need not be repeated on each blank check. Questions also were raised concerning which disclosures of § 226.7 (a) should be made in connection with these blank checks. The pertinent dis-

closure provisions are those contained in §§ 226.7(a) (1), (2), (3), and (4). The revised regulation provides that the disclosure statement accompanying the blank checks may be limited to the provisions of § 226.7(a) (1), (2), (3), and (4). Alternatively, the revised regulation provides that a full statement of the requirements of § 226.7(a) be provided with the provisions of subsections (1), (2), (3), and (4) clearly and conspicuously referenced on or accompanying that statement. For example, if the full statement of the provisions of § 226.7(a) is subdivided into terms covering credit sale and cash advance transactions, reference may be made in the accompanying material to the terms covering cash advance transactions. Likewise, if the terms covering cash advance transactions are numbered, the accompanying material may refer to the appropriate numbered terms.

The provisions of § 226.7(f) are to become effective January 1, 1976.

§ 226.7 Open-end credit accounts—specific disclosures.

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(f) *Supplemental credit devices for use in open-end credit accounts.* If, subsequent to 30 days after delivering the disclosures required under paragraph (a) of this section, a creditor of an open-end credit account mails or delivers, other than as a renewal or resupply, a blank check, payee designated check, blank draft or order or other similar credit device other than a credit card, to an existing customer or cardholder for use in connection with such account, such device shall be accompanied by a single written statement setting forth clearly and conspicuously those disclosures of paragraph (a) of this section which specifically relate to the use of such device. Such disclosure statement shall either be limited to the disclosures of paragraphs (a) (1), (2), (3), and (4) of this section or contain all disclosures required of such paragraph with the pertinent disclosures clearly and conspicuously referenced on or accompanying that disclosure statement. Such disclosure statement shall not appear on any promotional material mailed or delivered at the same time. The requirements of this paragraph shall not be applicable to checks to be used in conjunction with a checking account even though such checks may also activate a cash advance under an open-end credit account.

By order of the Board of Governors. September 10, 1975.

[SEAL] THEODORE E. ALLISON, *Secretary of the Board.*

[FR Doc.75-24961 Filed 9-18-75;8:45 am]

[Reg. Z]

PART 226—TRUTH IN LENDING

Fair Credit Billing, Description of Transactions

On May 5, 1975, the Board of Governors published for comment in the FEDERAL REGISTER (40 FR 19489) proposed regulations implementing the Fair Credit Billing Act (Title III of Pub. L. 93-495). The comment period on this proposal was initially set to terminate on May 30 and was subsequently extended through June 20, 1975 (40 FR 23896). On June 24, 1975, the Board of Governors published for comment in the FEDERAL REGISTER (40 FR 26571) proposed regulations to implement section 411 of Title IV of Pub. L. 93-495, which, though not technically a part of the Fair Credit Billing Act, is related to it in some respects and shares the same effective date. The comment period on this proposal terminated on July 18, 1975.

Following the receipt of approximately 300 comments on the proposal published on May 5 and approximately 110 comments on the proposal published on June 24, the Board on July 24, 1975, announced in the FEDERAL REGISTER (40 FR 30986) its intent to publish for comment revised regulations implementing these same statutory provisions and to hold informal hearings August 5 and 6, 1975, on these revised proposals.

On August 1, 1975, the Board published in the FEDERAL REGISTER (40 FR 32350) the revised regulations referenced in the July 24 publication. The comment period on these revised regulations, initially set to terminate on August 12, was extended to August 18, 1975.

On August 5, public hearings were held regarding the revised proposal. Ten interested parties were represented by witnesses at these hearings. Approximately 150 written comments were received and analyzed by the Board.

In response to the testimony and written comments received by the Board, some changes in the provisions previously published were made. Many are of a technical nature. An explanation of the most substantive changes follows:

1. *Transition periods.* Transition periods for compliance with certain portions of the regulation have been provided in § 226.6(k). These portions generally are those which require the printing of new forms or substantial technical program or operational changes which cannot be accomplished by October 28, 1975. In most cases the transition period is 6 months. The transition section covers the new disclosure requirements for periodic statements including showing dates of payment, indicating credit balances, and identifying the address to which billing errors must be sent. The prohibition against disclosing inconsistent State laws will also be delayed for 6 months to allow creditors to use up existing forms.

2. *Short notice of rights.* Many comments were made about the length of the notice of customer rights and creditor responsibilities required by § 226.7 (a) (9) and (d). A shortened version of this notice may be included with every periodic statement as an alternative to the twice-yearly mailing of the full notice: *Provided,* That the creditor must supply the customer with a full notice upon request or whenever the customer submits a proper written notification of a billing error.

3. *Time for payments after resolution of a billing error.* Earlier drafts of the regulation would have required creditors to provide a free period for payment without the imposition of finance charges after completion of the error resolution procedure, even when the creditor did not make an error or did not offer a free ride period generally. The regulation in § 226.14(b) (3) has been rewritten to require a free period only when the creditor has made an erroneous billing on the disputed item and the terms of the credit plan normally provide a free period for payment of such items. In all other cases the creditor must promptly notify the customer of how much is owed with regard to a disputed item after the completion of the error resolution procedure.

4. *Identification of transactions.* Many comments were received citing computer reprogramming and other data collection problems which would make compliance with § 226.7(b) (1) (ii) impossible by October 28, 1975. In order to facilitate compliance the Board has provided a gradual phase-in of the full impact of this section. Until July 1, 1976, creditors will be able to identify transactions in the same way as is presently required.

By October 28, 1977, the section will be fully effective. At that time, the regulation requires creditors who bill "descriptively" on their periodic statements to provide a transaction date. In addition, for two-party creditors, a description of any goods or services purchased or, for three-party creditors, the merchant's name and the address where the transaction took place would be required. If any of the primarily required information is not available to the creditor despite the maintenance of procedures reasonably adapted to procure it in the first instance, a voucher number or identifying symbol which appears on the document evidencing the transaction must be disclosed.

Between July 1, 1976, and October 28, 1977, the creditor may in all cases substitute the date of debiting the transaction to the customer's account for the primarily required date if the latter date is unavailable. Also, the creditor may substitute a voucher number or other identifying symbol which appears on the document evidencing the transaction for the description of goods or services or the merchant's name and address when they are unavailable.

5. *Inconsistent State laws.* Section 226.6(b) (2) has been revised to provide greater clarity and certainty for consumers and creditors.

The regulation now provides that any State credit billing law which differs from the error resolution procedure and credit reporting prohibitions of sections 161 and 162 of the Act and their implementing provisions in the regulation is inconsistent and, thus, preempted in its entirety. This determination was made because of the many internal steps with varying time limits and other requirements which are found in the processes embodied in Federal and State law regarding billing error resolution procedures. To do otherwise would cause