

been granted but for the influence of the insider.

4. RECIPROCAL LENDING ARRANGEMENTS

Preferential term loans on a reciprocal basis between banks to each other's directors and executive officers carry essentially the same potential for unsound extensions of credit as is present in the case of direct loans to insiders. Such transactions frequently commit bank assets on the basis of considerations of benefit to individual insiders rather than on the basis of proper credit judgments and bank profitability. When the transactions are made on preferential terms, they will be deemed by the Comptroller's Office to be an abuse of the assets of the lending bank.

5. FEE CONCESSIONS ON TRUST SERVICES

The unprofitable nature of some bank trust departments is attributable in part to unwarranted fee concessions on trust services to officers, directors, significant shareholders, and their family or business interests. Such fee concessions deprive shareholders of a reasonable return on their investment and are inconsistent with sound trust department operation.

Dated: December 5, 1977.

JOHN G. HEIMANN,
Comptroller of the Currency.

[FR Doc.77-35285 Filed 12-7-77;8:45 am]

[6210-01]

FEDERAL RESERVE SYSTEM

[12 CFR Part 226]

[Reg. Z; Docket No. R-0134]

TRUTH IN LENDING

Right of Rescission

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Proposed rule.

SUMMARY: This proposed rule seeks to clarify the application of the right of rescission in connection with open end credit accounts. Regulation Z provides that in the case of any credit transaction in which a security interest is taken in the principal residence of the consumer, the consumer shall have three business days to rescind that transaction. The regulation requires creditors to disclose this right to the consumer, and the credit proceeds may not be disbursed during the three-day period. Questions have been raised on the application of these provisions to open end credit plans. The Board's proposal would clarify these provisions by requiring creditors to give the required notice of the right of rescission to consumers who pledge their homes as security for an open end line of credit at the time the open end account is entered into as well as prior to any subsequent increase in the line of credit underlying the account. The Board views this proposal as consistent with the congressional purpose in creating the right of rescission and with its efforts to sim-

plify Truth in Lending disclosures without sacrificing the Act's consumer protection features.

DATE: Comments must be received on or before February 1, 1978.

ADDRESS: Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. All material submitted should include Docket No. R-0134.

FOR FURTHER INFORMATION CONTACT:

Glenn E. Loney, Acting Chief, Fair Credit Practices Section, Division of Consumer Affairs, Board of Governors of the Federal Reserve System, Washington, D.C. 20551, 202-452-2412.

SUPPLEMENTARY INFORMATION:

The Board of Governors of the Federal Reserve System is publishing for comment a proposed amendment to Regulation Z designed to clarify the application of the right of rescission to open end credit accounts. Section 226.9(a) of the regulation provides customers with a right to rescind any consumer credit transaction in which a security interest is taken in the customer's home. When the right of rescission exists, § 226.9(b) requires creditors to give consumers notice of that right. These provisions could be interpreted as providing a right to rescind and requiring notice of that right each time a transaction takes place under an open end credit plan.

The Board understands that it was Congress' purpose in enacting the right of rescission to permit consumers to reconsider important credit transactions in which a security interest is taken in their homes. Accordingly, Congress provided consumers with a three-day cooling-off period in which to reconsider such credit decisions. The Board believes that this purpose will be served by providing the right to rescind and notice of that right in an open end credit context upon the opening of such an account and upon any subsequent increase in the underlying line of credit associated with the account. As a technical matter, the proposal also calls for providing the right of rescission and notice of the right at the time a security interest is taken covering an open end account if a security interest was not taken at the time the account was opened.

A requirement that the right of rescission notice be given with each transaction under an account, in the Board's view, would unduly frustrate and complicate the administration of open end credit plans without substantially increasing the customer's awareness of the significance of pledging his or her home as security for such credit.

Pursuant to the authority granted in 15 U.S.C. Section 1604 (1970), the Board proposes to amend Regulation Z, 12 CFR Part 226, as follows:

§ 226.9 Right to rescind certain transactions.

* * * * *

(g) Exceptions to general rule. * * *

(6) Individual transactions under an open end credit account provided that the disclosure required under paragraph (b) of this section is made at the time the disclosures required under § 226.7(a) are required to be made, or, if the security interest is not retained or acquired at the time the § 226.7(a) disclosures are required to be made, prior to the time a security interest is retained or acquired, and in any case prior to the time of any subsequent increase in the line of credit.

To aid in the consideration of the proposal by the Board, interested persons are invited to submit relevant data, comments or arguments. All such materials should be submitted in writing to Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551, and should be received not later than February 1, 1978. All materials submitted should include the Docket Number R-0134. Such information will be made available for inspection and copying upon request, except as provided in § 261.6(a) of the Board's rules regarding availability of information (12 CFR 261.6(a)).

This notice is published pursuant to section 553(b) of Title 5 United States Code and § 262.2(a) of the rules of procedure of the Board of Governors of the Federal Reserve System (12 CFR 262.2(a)).

By order of the Board of Governors,
December 5, 1977.

THEODORE E. ALLISON,
Secretary of the Board.

[FR Doc.77-35233 Filed 12-8-77;8:45 am]

[6750-01]

FEDERAL TRADE COMMISSION

[16 CFR Part 416]

PESTICIDE ADVERTISING

Termination of Rulemaking Proceeding

AGENCY: Federal Trade Commission.

ACTION: Withdrawal of Proposed Trade Regulation Rules.

SUMMARY: The Commission proposed various versions of a trade regulation rule concerning pesticide advertising, which were published on January 2, 1968 (33 FR 918); February 6, 1969 (34 FR 1773); and August 11, 1970 (35 FR 12727). In 1974 and 1975 the Commission entered into consent agreements with three pesticide manufacturers alleged to have engaged in deceptive and unfair advertising of pesticide products. On June 8, 1977, the Commission decided based upon a staff report not to proceed to promulgate a proposed trade regulation rule. The Commission has placed on the public record the staff report on advertising in the pesticides industry.

ADDRESS: Staff report available at: Federal Trade Commission, Room 130, 600 Pennsylvania Avenue NW., Washington, D.C. 20580.