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FEDERAL RESERVE SYSTEM

12 CFR Part 201

[Regulation A; Docket R-1038]

Extensions of Credit by Federal Reserve Banks

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final rule.

SUMMARY: The Board is amending its Regulation A to establish a special lending program under which Federal Reserve Banks will extend credit at a rate 150 basis points above the Federal Open Market Committee's targeted federal funds rate to eligible institutions to accommodate liquidity needs during the century date change period. Unlike adjustment credit, borrowers will not be required to seek credit elsewhere first, uses of funds will not be limited, and the loans may be outstanding for any period while the facility is open.

EFFECTIVE DATE: October 1, 1999.

FOR FURTHER INFORMATION CONTACT: James A. Clouse, Chief, Monetary and Financial Market Analysis Section (202) 452-3922, or William R. Nelson, Economist (202) 452-3579, Division of Monetary Affairs; Oliver I. Ireland, Associate General Counsel (202) 452-3625, or Stephanie Martin, Managing Senior Counsel (202) 452-3198, Legal Division. For users of the Telecommunications Device for the Deaf (TDD), contact Diane Jenkins (202) 452-3544, Board of Governors of the Federal Reserve System, 20th and C Streets, N.W., Washington, D.C. 20551.

SUPPLEMENTARY INFORMATION: The Board is amending its Regulation A (12 CFR part 201), Extensions of Credit by Federal Reserve Banks, to provide an additional mechanism under which Federal Reserve Banks will make discount window credit available to depository institutions in the months

surrounding the century date change. The Board expects that, with advance planning, depository institutions will be able to meet their liquidity needs during the century date change period relying on their usual sources of funds, including adjustment credit at the discount window. The Board recognizes, however, that uncertainty surrounds potential developments over the period. The Special Liquidity Facility is intended to ensure that a source of funds is available to relieve unusual liquidity pressures that depository institutions may experience.

Background

Depository institutions and their customers are now making plans to meet possible credit needs in the period around the century date change. Their planning is complicated by uncertainty about the cost and availability of funds to individual depository institutions in the period surrounding the rollover. Unusual liquidity strains might arise from the conversion of deposits to currency, heightened credit demands, greater lender and depositor caution, and potential market disruptions. While some banks may experience a surge in deposits as investors pull back from institutions and markets perceived as more vulnerable, the degree and incidence of shifts in liquidity demands and supplies are extremely difficult to predict. They could well involve pressures on small and medium-sized depository institutions that customarily are suppliers of funds to larger institutions and markets. These smaller institutions might have difficulty obtaining relatively large volumes of funds because they typically do not have access to national funding markets and have limited borrowing relationships with other banks.

To a considerable extent, greater aggregate liquidity needs in reserve markets can be met using open market operations, as they are, for example, in November and December of each year when there is a large seasonal increase in demand for currency. Forecasts of reserve market pressures, however, will be subject to considerable uncertainty, and the normal distribution of reserves and liquidity through markets may be disrupted by the unusual funding situations of institutions and uncertainty about the status of potential borrowers. Volatility in the demand for

reserves is likely to be compounded by a decline in required reserves as customers replace transaction accounts with currency and by a drop in required reserve balances at the Federal Reserve as banks augment their holdings of vault cash to meet potential customer demands. Consequently, undesirable tightness and distortions in short-term funding markets would be a possibility if reliance were to be placed almost entirely on open market operations to meet liquidity needs.

Supervisors have urged depository institutions to make firm contingency plans for meeting unexpected liquidity demands and have encouraged them to make the Federal Reserve's discount window part of those plans. Although borrowing by depository institutions through the usual adjustment credit facility of the discount window should be adequate to meet most unusual needs and relieve possible pressures on credit markets, in practice depository institutions have been somewhat reluctant in the past to use such credit. Moreover, the adjustment credit program requires borrowers to seek funds elsewhere first, constrains the uses of the funds, and is normally very limited in duration.

Special Liquidity Facility

In May 1999, the Board requested comment on amendments to its Regulation A (12 CFR part 201) to implement a Special Liquidity Facility that would make collateralized Federal Reserve Bank credit more freely available, albeit at an interest rate somewhat above depository institutions' normal cost of funds (64 FR 28768, May 27, 1999). By assuring the availability of Reserve Bank credit, the facility should enable depository institutions and their customers to commit to meeting possible credit needs with greater confidence. The facility should also help to damp any tendency for money markets to tighten owing to transitory imbalances in the supply and demand of reserves.

The Board received 93 comments on its proposal, distributed as follows:

Type of institution	Number
Commercial Bank	63
Trade Association	9
Savings Bank	7
Credit Union	5

Type of institution	Number
Federal Reserve Bank	2
Investment Bank	2
Government Agency	2
Government Sponsored Agency	1
Clearing House	1
Consultant	1
Total	93

Virtually all of the commenters supported the creation of the Special Liquidity Facility. The commenters frequently noted that even though the financial services industry was well prepared for Year 2000, the facility would provide a desirable degree of certainty that funds would be available to meet liquidity demands around year-end. Only three commenters opposed the facility, all of them stating that existing discount lending programs would be sufficient to meet year-end funding contingencies.

After considering the comments, which are discussed in detail below, the Board has adopted the proposed amendments to Regulation A implementing the Special Liquidity Facility with revisions. The Board has adopted the proposed rate for the facility of 150 basis points over the Federal Open Market Committee's targeted federal funds rate. The Board also moved up the opening date for the facility to October 1, 1999, from the proposed opening date of November 1, 1999. The closing date will be April 7, 2000, or such later date as determined by the Board. Finally, the Board has revised the definition of "eligible institution" to mean an institution that is in sound financial condition in the judgment of the lending Reserve Bank. Such a judgment may be based on more than simply whether a borrower meets certain capital standards on a particular date.

Rate

The Board proposed that credit under the Special Liquidity Facility be available at a spread over the Federal Open Market Committee's target federal funds rate. The Board tentatively proposed that the spread be set at 150 basis points, but specifically requested comment on whether the size of the proposed spread was appropriate.

Nearly 20 percent of the commenters endorsed the facility without commenting on the proposed lending rate, and another 10 percent specifically stated that a 150 basis point spread was appropriate. About 70 percent, however, suggested that the lending rate be set at a lower spread. Of these, nearly 20 percent stated they preferred a spread of

50 basis points, while the remainder were divided about evenly between those requesting less than 50 basis points, 75 basis points, 100 basis points, or simply stating the spread should be below 150 basis points. The commenters offered a variety of reasons why a lower spread would be desirable. Several stated that a rate of 150 basis points over the target federal funds rate is so far above their typical cost of funds that use of the facility would seriously reduce their profits, placing an undue burden on their institutions. Others stated that the proposed spread would discourage use of the facility until liquidity problems had become acute, noting that a lower spread would be sufficient to promote private-sector arrangements. Many institutions expressed concern that the proposed spread would become the standard for the pricing of year-end lines of credit. A few banks observed that institutions would not borrow at the proposed spread for fear that it would be taken as a sign of distress.

The lending rate should be high enough to encourage institutions to continue to make private-sector arrangements to meet potential funding needs, but low enough to provide a reasonable backstop should, contrary to the Board's expectations, concerns about the century date change, or the change itself, begin to put strains on funding and credit markets. It is difficult to determine precisely what spread fits these criteria in part because loans under the facility could be used for a variety of purposes and may be extended to a disparate set of depository institutions. A relatively narrow spread still may be high enough to offer incentives to large financial institutions of unquestioned credit quality with access to money and capital markets to seek private-sector alternatives to the facility, but a wider spread may be required for other institutions that are smaller or for whom markets perceive a significant credit risk.

A related difficulty in selecting a spread is that there are no close analogues to the facility against which to compare the pricing. Unlike most private or government agency alternatives, the Special Liquidity Facility requires no fee to establish and may be drawn on and repaid at any time over the life of the facility without penalty. The Federal Home Loan Banks (FHLBs) have been offering their members Year-2000 funding alternatives, but these typically involve restrictions, fees, or other costs not present in the Special Liquidity Facility. The implicit prices of FHLB alternatives range from above that proposed for the facility to somewhat below, depending

on the length of time over which the fees are prorated. Informal discussions with commercial banks suggest secured lines of credit to high-quality, large banks would be priced at only a few basis points over LIBOR,¹ but the spread on a similar line to small banks would be over 100 basis points (LIBOR is now about 25 basis points above the federal funds rate). Other central banks have arrangements through which they lend reserves overnight at a penalty rate. The spreads on these facilities range from 25 basis points in Canada to 200 basis points in Switzerland; several central banks, including the European Central Bank, charge 100 basis points.

On balance, the Board believes that a spread of less than 150 basis points might not be sufficient to assure that many depository institutions still would have incentives to make private-sector arrangements to meet potential shifts in the supplies of, and demands for, liquidity. Furthermore, a spread of 150 basis points probably is low enough to provide a reasonable backstop if concerns about the century date change or disruptions associated with the change itself begin to put strains on funding and credit markets, especially if these strains are short-lived. The federal funds rate has reached highs in excess of 150 basis points above the target rate on more than one-third of the final days of reserve maintenance periods since the beginning of 1994. A spread of 150 basis points is also well within the range of year-end premiums observed in the commercial paper market in past years.

Period of Operation

The Board proposed that credit under the Special Liquidity Facility be available from November 1, 1999, to April 7, 2000. The Board requested comment on how long the facility should be open, in particular whether it should begin earlier.

A majority of commenters either expressed general approval of the facility as described or specifically endorsed the start and stop dates. However, a significant minority (25 percent) suggested an earlier start date, and a few commenters suggested either a later ending date or flexibility on the stop date depending on circumstances. Among those suggesting an earlier start date, most proposed the beginning of October, although a few requested September, August, or as soon as possible. A majority of those advising an earlier opening cited plans to build up

¹ The London Interbank Offered Rate (LIBOR) is a standard rate of interest used in international transactions.

vault cash earlier in the fall. More broadly, other commenters stated that an earlier start date would be a prudent response to the great uncertainty about demands for liquidity in the fourth quarter, including the potential for cash withdrawals.

In light of these comments, the Board has determined to make the facility available beginning October 1, 1999. The facility is meant to provide assurance to financial institutions that funds will be available if unforeseen difficulties arise. Given the expressed view that such assurance would be desirable earlier than proposed, there appears to be little reason not to open the facility sooner. The Board has retained the closing date of April 7, 2000, but has specified in the regulation that at a later time it could move back the closing date if conditions warrant.

Eligible Borrowers

The Board proposed that credit under the Special Liquidity Facility would remain discretionary, even though many normal discount window conditions would not apply. The Board proposed that the Special Liquidity Facility would be available only to depository institutions in sound financial condition. For example, under the proposal, it would not have been available to depository institutions that are undercapitalized or critically undercapitalized under the standards set forth in the prompt corrective action provisions of the Federal Deposit Insurance Act² and implementing regulations. Reserve Bank discounts for and advances to such institutions are limited by § 201.4 of Regulation A. That section implements amendments to section 10B of the Federal Reserve Act³ that discourage the Reserve Banks from making relatively long-term loans to inadequately capitalized institutions. Similarly, in the case of credit unions, the Board proposed that credit under the Special Liquidity Facility would be available only to institutions with a net worth ratio (as defined in section 216 of the Federal Credit Union Act⁴) of at least six percent, which qualifies a credit union as adequately capitalized under that Act.⁵ With respect to branches and agencies of foreign banks, the Board proposed that credit under

the Special Liquidity Facility would be available only to a branch or agency where the borrowing bank meets the equivalent of the Basle Capital Accord's minimum standards for capital and is otherwise considered to be in sound financial condition.

Several commenters stated that there may be situations where it would be appropriate to provide access to the Special Liquidity Facility for undercapitalized institutions. Four commenters stated that the Board should permit institutions some liquidity and capital ratio flexibility during the century date change period, particularly in light of the possibility that market behavior during the conversion, such as a "flight to quality" inflow of bank deposits or the drawing down of lines of credit, could create temporary balance sheet distortions. One commenter stated that denying access to these institutions could cause a public reaction that would increase the institution's vulnerability and precipitate customer withdrawals. Another commenter suggested that, rather than prohibit undercapitalized institutions from using the facility, the Board could place more limited controls on undercapitalized institutions that balance the need to provide emergency funding with measures to prevent the inappropriate use of those funds, such as restrictions on the purpose and duration of borrowing and enhanced supervision. Finally, one commenter stated that the eligibility of U.S. branches and agencies of foreign banks for the Special Liquidity Facility should be determined by a combination of supervisory ratings and investment information such as independent agency ratings.

The credit union industry raised specific concerns. Two commenters stated that the proposed 6 percent net worth ratio that must be met by eligible credit unions is unworkable for corporate credit unions, which are not subject to statutory net worth requirements. One commenter suggested that the Board leave the determination as to the eligibility of corporate credit unions to the Reserve Bank or, alternatively, deem a corporate credit union to be eligible if it meets an appropriate capital ratio as determined by its primary regulator.⁶ The other commenter suggested that the Board simply deem corporate credit unions to be eligible borrowers. One commenter requested that the Board lower the net worth requirement for eligible credit

unions to 5.5 percent because of the likelihood that expenses associated with century-date-change preparations may require some credit unions to reduce their capital. Another commenter suggested that an alternative to lowering the net worth percentage would be to average the credit union's capitalization over several reporting periods to determine eligibility. Another commenter objected to the Board using a statutory net worth requirement for credit unions that has not yet taken effect and suggested that the Board establish a definition of "sound financial institution" that would be flexible and take into account a variety of factors other than capital, such as risk and collateral. Another commenter suggested that any credit union with reasonable net worth and adequate collateral should be eligible.

An important purpose of the Special Liquidity Facility is to encourage depository institutions to extend lines of credit over year-end. The Board has determined, therefore, that its proposed definition of "eligible institution," which tied eligibility to capital standards established under the prompt corrective action regimes for depository institutions, could be unduly constraining. Potentially, depository institutions that do not meet the minimum requirements to be adequately capitalized before or due to their borrowing from the Special Liquidity Facility may still be deemed in sound financial condition by the lending Reserve Bank. In addition, the proposed capital standards may not be applicable to certain institutions, such as corporate credit unions. To provide flexibility to the Reserve Banks in administering the Special Liquidity Facility, in the final rule the Board has deleted the proposed capital standards from the definition of "eligible institution." The Special Liquidity Facility will be available to depository institutions, including credit unions, that the lending Reserve Bank deems to be in sound financial condition. The borrowing limitations in § 201.4(a) for institutions that are less than adequately capitalized will continue to apply.

The Board has made a corresponding change in § 201.7, which applies the Regulation A lending provisions to branches and agencies of foreign banks. As in the case of domestic banks, the minimum capital levels that would be required for branches and agencies of foreign banks under the Basle Capital Accord, while useful guides, may be unduly constraining. There may be cases when an institution is in sound financial condition even though it does not meet these minimum guidelines.

² 12 U.S.C. 1831o(b)(1)(E).

³ 12 U.S.C. 347b(b).

⁴ 12 U.S.C. 1790d(o)(3).

⁵ Section 216 of the Federal Credit Union Act will take effect on August 7, 2000, except for special provisions regarding risk-based net worth requirements, which take effect on January 1, 2001. The National Credit Union Administration has initiated rule-making procedures to adopt rules to implement the Act, but no final rules are yet in place. See 64 FR 27090, May 18, 1999.

⁶ Generally, corporate credit unions are not eligible to borrow from the discount window unless they hold reserves.

Conversely, for both domestic and foreign institutions, even where the institution meets minimum capital requirements, the lending Reserve Bank may determine that the institution is not in sound financial condition and therefore is ineligible to borrow under the Special Liquidity Facility.

When determining whether an institution is in sound financial condition, the Board or Reserve Bank may discuss the institution's financial condition or other matters related to the loan with its U.S. supervisor or, in the case of a foreign bank, its home country supervisor or central bank. Institutions that had been adequately capitalized and in sound financial condition but whose capital ratios fell below minimum regulatory standards would be expected to consult with their lending Reserve Bank. In judging whether such a borrower remained in sound financial condition and should continue to have access to the facility, the Reserve Bank would take into account whether the decline owed to temporary balance sheet distortions associated with the century date change, as well as the financial condition of the institution before those distortions occurred.

Collateral.

The Board proposed that the collateral requirements for Special Liquidity Facility credit would be identical to those for other discount window loans, all of which must be fully collateralized to the satisfaction of the Reserve Bank. Several commenters stated that the Board should expand the types of collateral that are eligible to be pledged for a loan under the facility. Commenters stated that they would like to pledge collateral held at the pledgor bank, eligible securities maintained at Euroclear, bank debentures and certificates of deposit (with a generic hair-cut of 15 percent), GNMA and municipal securities, corporate securities, and shares of mutual funds that invest in allowable fixed-income securities (which are commonly held by credit unions). One international bank commenter requested that it be able to use collateral it maintains in the United Kingdom, possibly by pledging it through the Bank of England, which would hold it on account for the Reserve Bank. Two commenters suggested that the Board informally encourage Reserve Banks to be flexible, expeditious, and practical in their consideration of additional asset classes, hair-cuts applied in the valuation of collateral, and methods of perfection. One commenter stated that the collateral procedural requirements should not be

as cumbersome as those for other discount window credit. Another commenter asked for clarification as to whether collateral will be fungible for purposes of borrowing under existing discount window arrangements and the Special Liquidity Facility.

The collateral requirements for Special Liquidity Facility credit will be identical to those for other discount window loans. Reserve Banks accept a wide range of loans and securities as collateral, but unless the collateral is traded in active markets, such as a Treasury or Agency security, Reserve Banks must have time to determine the lendable value. Borrowing institutions must have pre-positioned collateral (as well as have the necessary authorizations signed) to have access to credit the day it is requested. If many institutions that have not made collateral arrangements ahead of time request credit simultaneously, the resulting congestion could prevent institutions from obtaining credit on the day they request it. Federal Reserve staff strive to accommodate the needs of depository institutions seeking access to discount window credit. Staff will work aggressively to expand the range of acceptable collateral and to make collateral procedures more expeditious and flexible. In addition, as there will be no separate borrowing agreements, those institutions that arrange, or have already arranged, access to adjustment credit will have access to Special Liquidity Facility credit, provided they are eligible institutions. Similarly, pre-positioned collateral will be available to secure either type of credit.

One commenter asked for clarification on additional operational issues regarding collateral, such as what the minimum notification period would be for using the facility on a collateral-by-collateral-type basis, whether borrowers will be able to substitute collateral, and what the acceptable delivery mechanism would be (delivery-versus-payment, tri-party, or held-in-custody). Another commenter requested that the Reserve Banks and the appropriate FHLBs coordinate on the terms of collateral agreements to enable FHLB members to determine their available collateral in the most efficient manner. Institutions with questions about specific collateral arrangements should contact their local Federal Reserve Bank.

One commenter stated that many banks have already pledged many of their assets to secure public deposits or to the FHLBs, leaving little available to pledge to the Reserve Banks. This commenter suggested that the Reserve Banks could waive collateral

requirements for well-capitalized institutions without meaningfully increasing their credit risk. Consistent with the Federal Reserve Act and historical practice, the Reserve Banks will continue to require that all loans be collateralized fully, even though the Board recognizes that some borrowers present less credit risk than others.

Differences from Adjustment Credit.

Special Liquidity Facility credit, as proposed and as adopted, would differ from adjustment credit in several ways meant to provide greater flexibility and increase institutions' willingness to borrow. Borrowers will not be required to exhaust alternative liquidity sources, nor will the use of the funds be limited in the same way as funds from adjustment credit. Furthermore, there will be no requirement that credit be repaid expeditiously; credit can remain outstanding until the program expires. Reserve Banks will not monitor or require additional reports of borrowers under the Special Liquidity Facility. Supervisory authorities may need to assess the condition of the borrowing institution if the use of Special Liquidity Facility credit is accompanied by signs of financial trouble.

One commenter noted that § 201.6(d) of Regulation A prohibits an institution from acting (without permission) as a medium or agent of another institution in receiving Federal Reserve credit. The commenter asked that the Board clarify that § 201.6(d) does not preclude eligibility for a bank that is a net provider of funds to other institutions or needs to use the Special Liquidity Facility because of an unexpected drawdown on a line of credit provided to another institution. As the purpose of the Special Liquidity Facility is to supply additional liquidity to the markets, this restriction on the use of the funds should not apply. The Board has revised § 201.6(d) to clarify that it does not apply to depository institutions that receive credit under the Special Liquidity Facility.

Four commenters requested clarification as to whether an institution may make drawings from the Special Liquidity Facility at any time during the proposed period and whether the term of a borrowing must be stated upon drawing or whether the drawing may be made on an open basis. One of these commenters noted that section 10B of the Federal Reserve Act limits maturities on advances to four months, unless the advances are secured by mortgage loans covering one-to-four family residences. One commenter asked how often the facility could be accessed and whether there were any

minimum or maximum borrowing amounts. Another commenter asked the Board to clarify that advances under the facility may be prepaid without penalty.

Borrowers will be able to adjust the amount they borrow as frequently as they desire, although all outstanding credit must be fully collateralized. Loans can be taken down and repaid at the borrowers' discretion at any time while the facility is operating, consequently there can be no penalty for early repayment. Technically, all discount window loans are payable on demand, and accordingly their maturities do not exceed four months.⁷

One commenter stated that the Board should better define the circumstances for determining when an institution may borrow through the Special Liquidity Facility and when it may borrow adjustment credit. A credit union commenter asked for clarification that once the institution's application for discount window access is approved, it may access both adjustment credit and the Special Liquidity Facility. This commenter also requested clarification that a borrower need not consider the Special Liquidity Facility as a funding option that must be exhausted before requesting adjustment credit.

Borrowing under the facility will not be considered a source of funds that would need to be exhausted before obtaining adjustment credit. Furthermore, institutions that experience a very short-term need for Federal Reserve credit (such as meeting reserve requirements on the last day of a maintenance period), including institutions that have loans outstanding under the Special Liquidity Facility, could continue to obtain regular adjustment credit at the basic discount rate.

One commenter stated that the Federal Reserve will need to address a wide range of operational issues before implementing the Special Liquidity Facility, such as the loan request and approval process, reliance on the 21-day period for perfection of instruments under borrower-in-custody arrangements, and modifications to automated systems. As noted above, specific collateral arrangements should be worked out with the local Federal Reserve Bank.

Other Regulatory and Market Concerns.

One commenter stated that the Board should consider temporarily suspending certain provisions of the Federal

Reserve Act, such as section 23A, over the century date change period and should expand the types of markets that it uses for open-market purchases to include, for example, asset-backed securities markets. Another commenter stated that the Board should review its payment system risk policy with a view towards increasing the net debit cap for international banks, given the significant changes in the market and in payments system practices since the caps were adopted in 1990. Another commenter stated that the Reserve Banks should pay interest on deposits of at least 100 basis points. One commenter also requested that the Federal Reserve take steps to help banks respond to market fluctuations by adjusting its lending policies and by allowing late reserve adjustments.

The Board is taking and will continue to take actions that it determines are appropriate in order to ensure that the banking system and financial markets continue to operate safely and soundly, with sufficient liquidity, during the century date change period. If problems arise related to certain statutory or regulatory requirements, the Board will consider at that time the appropriate action. Certain actions, such as paying interest on accounts at Reserve Banks, are not authorized by statute.

Finally, one commenter suggested that the Reserve Banks revise Operating Circular 10 (the lending circular) to eliminate the provision that requires a correspondent bank to object to any debit to its account for the amount of a loan repayment due from the borrower to the Reserve Bank within one hour of the time the payment is due or else the payment is irrevocable. The commenter stated that this provision requires the correspondent to become the unintended purchaser of the loan from the Reserve Bank without benefit of the collateral that had secured the loan. The commenter stated that neither the correspondent nor the Reserve Bank would face increased risk if the circular were to eliminate the notion of irrevocability of an unchallenged debit and require the correspondent to transfer the loan repayment amount affirmatively to the Reserve Bank. Arrangements regarding correspondent relationships should be worked out with the local Federal Reserve Bank.

Educational Outreach. One commenter urged the Board to take a leadership role on providing a flexible regulatory response to possible temporary declining capital ratios due to century-date-change activities and to educate rating agencies and the Securities Exchange Commission that such temporary declines near year-end

are not necessarily a sign of weakened condition. One commenter urged the Board and other banking agencies to expand Year 2000 outreach efforts to consumers in order to combat emotional overreaction due to unfounded rumors and sensational media stories. Another commenter recommended that the Federal Reserve actively educate depository institutions about the Special Liquidity Facility. The Board has undertaken a number of initiatives to provide information on issues related to the century date change. More information is available on the Board's web site.⁸

Regulatory Flexibility Act Certification

Pursuant to section 605(b) of the Regulatory Flexibility Act (5 U.S.C. 605(b)), the Board certifies that the amendments to Regulation A will not have a significant adverse economic impact on a substantial number of small entities. The rule would not impose any additional requirements on entities affected by the regulation but rather would make an additional lending facility available to meet depository institutions' liquidity needs related to the century date change.

List of Subjects in 12 CFR Part 201

Banks, banking, Credit, Federal Reserve System.

For the reasons set out in the preamble, 12 CFR part 201 is amended as set forth below:

PART 201—EXTENSIONS OF CREDIT BY FEDERAL RESERVE BANKS (REGULATION A)

1. The authority citation for 12 CFR part 201 continues to read as follows:

Authority: 12 U.S.C. 343 *et seq.*, 347a, 347b, 347c, 347d, 348 *et seq.*, 357, 374, 374a and 461.

2. In § 201.2, new paragraphs (j) and (k) are added to read as follows:

§ 201.2 Definitions.

* * * * *

(j) *Eligible institution* means a depository institution that is in sound financial condition in the judgment of the lending Federal Reserve Bank.

(k) *Targeted federal funds rate* means the federal funds rate targeted by the Federal Open Market Committee.

3. In § 201.3, new paragraph (e) is added to read as follows:

§ 201.3 Availability and terms.

* * * * *

(e) *Special liquidity facility for century date change.* Federal Reserve

⁷ See the Board's interpretation on eligibility of demand paper for discount and as security for advances by Reserve Banks, 12 CFR 201.107.

⁸ See <http://www.federalreserve.gov/y2k/>.

Banks may extend credit between and including October 1, 1999, and April 7, 2000, or such later date as determined by the Board, under a special liquidity facility to ease liquidity pressures during the century date change period. This type of credit is available only to eligible institutions. This type of credit is granted at a special rate above the basic discount rate and other market rates for funds, is available for the entire length of the period, and is not subject to the conditions regarding specific use or exhaustion of other liquidity sources as is adjustment credit under paragraph (a) of this section.

4. In § 201.6, paragraph (d) is revised to read as follows:

§ 201.6 General requirements.

* * * * *

(d) *Indirect credit for others.* Except for depository institutions that receive credit under the Special Liquidity Facility described in § 201.3(e), no depository institution shall act as the medium or agent of another depository institution in receiving Federal Reserve credit except with the permission of the Federal Reserve bank extending credit.

5. In § 201.7, the introductory text is designated as paragraph (a), and a new paragraph (b) is added to read as follows:

§ 201.7 Branches and agencies.

* * * * *

(b) This part applies to a United States branch or agency of a foreign bank in the same manner and to the same extent as an eligible institution if the foreign bank is in sound financial condition in the judgment of the lending Federal Reserve Bank.

6. In § 201.52, the heading is revised and a new paragraph (c) is added to read as follows:

§ 201.52 Other credit for depository institutions.

* * * * *

(c) *Special liquidity facility.* The rate for credit extended to eligible institutions under the special liquidity facility provisions in § 201.3(e) is equal to the targeted federal funds rate plus 1.5 percentage points on each day the credit is outstanding.

By order of the Board of Governors of the Federal Reserve System, July 27, 1999.

Jennifer J. Johnson,

Secretary of the Board.

[FR Doc. 99-19632 Filed 7-30-99; 8:45 am]

BILLING CODE 6210-01-P

FARM CREDIT ADMINISTRATION

12 CFR Part 602

RIN 3052-AB84

Releasing Information

AGENCY: Farm Credit Administration (FCA).

ACTION: Final rule.

SUMMARY: This final rule amends FCA regulations on the release of information under the Freedom of Information Act (FOIA) to:

- Reflect new fees and make it easier for the public to get FCA records;
- Revise the procedures for requests for testimony by FCA employees on official matters and for producing FCA documents in litigation when FCA is not a named party; and
- Add procedures for getting records in public rulemaking files.

We designed this regulation to be concise and easy to understand.

EFFECTIVE DATE: This regulation will become effective 30 days after publication in the **Federal Register** during which either one or both houses of Congress are in session. We will publish a notice of the effective date in the **Federal Register**.

FOR FURTHER INFORMATION CONTACT:

John Hays, Policy Analyst, Office of Policy and Analysis, Farm Credit Administration, 1501 Farm Credit Drive, McLean, VA 22102-5090, (703) 883-4498, TDD (703) 883-4444, or

Jane Virga, Senior Attorney, Office of General Counsel, Farm Credit Administration, 1501 Farm Credit Drive, McLean, VA 22102-5090, (703) 883-4020, TDD (703) 883-4444.

SUPPLEMENTARY INFORMATION: We received no comments from the public on our proposed rule published March 8, 1999 (64 FR 10954). The revisions to part 602 are now final. We have added two tables to the final regulation to make it easier for readers to view the types and amounts of fees we charge requesters.

List of Subjects in 12 CFR Part 602

Administrative practice and procedure, Courts, Freedom of information, Government employees.

For the reasons stated in the preamble, part 602, of chapter VI, title 12 of the Code of Federal Regulations is revised to read as follows:

PART 602—RELEASING INFORMATION:

Subpart A—Information and Records Generally

Sec.

- 602.1 Purpose and scope.
- 602.2 Disclosing reports of examination.

Subpart B—Availability of Records of the Farm Credit Administration 602.3 Definitions.

- 602.4 How to make a request.
- 602.5 FCA response to requests for records.
- 602.6 FOIA exemptions.
- 602.7 Confidential business information.
- 602.8 Appeals.
- 602.9 Current FOIA index.

Subpart C—FOIA Fees 602.10 Definitions.

- 602.11 Fees by type of requester.
- 602.12 Fees.
- 602.13 Fee waiver.
- 602.14 Advance payments—notice.
- 602.15 Interest on unpaid fees.
- 602.16 Combining requests.

Subpart D—Testimony and Production of Documents in Legal Proceedings in Which FCA is Not a Named Party 602.17 Policy.

- 602.18 Definitions.
- 602.19 Request for testimony or production of documents.
- 602.20 Testimony of FCA employees.
- 602.21 Production of FCA documents.
- 602.22 Fees.
- 602.23 Responses to demands served on FCA employees.
- 602.24 Responses to demands served on non-FCA employees or entities.

Subpart E—Release of Records in Public Rulemaking Files

- 602.25 General.

Authority: Secs. 5.9, 5.17; 12 U.S.C. 2243, 2252; 5 U.S.C. 301, 552; 52 FR 10012; E.O. 12600, 52 FR 23781, 3 CFR 1987, p. 235.

Subpart A—Information and Records Generally

§ 602.1 Purpose and scope.

This part contains FCA's rules for disclosing our records or information; processing requests for records under the Freedom of Information Act (5 U.S.C. 552, as amended)(FOIA); FOIA fees; disclosing otherwise exempt information in litigation when FCA is not a party; and getting documents in public rulemaking files. Part 603 of this chapter tells you how to get records about yourself under the Privacy Act of 1974, 5 U.S.C. 552a.

§ 602.2 Disclosing reports of examination.

(a) *Disclosure by FCA.* Reports of examination are FCA property. We prepare them for our confidential use and the use of the institution examined. We do not give reports of examination to the public. Except as provided in this section, only the Chairman or the