

# Fed Letter



## Holiday reminder

The Fed will be closed **Monday, Jan. 19, 2004**, for Martin Luther King Jr. Day. A listing of the holidays observed by the Federal Reserve System is available at [www.frbservices.org](http://www.frbservices.org). In the left column, click "Holiday Schedules."

## Manufacturing survey released

The monthly manufacturing survey for the Tenth Federal Reserve District was released Dec. 8. The survey asks plant managers about a variety of manufacturing indicators. The information is compiled into a snapshot of manufacturing in the District. In November, manufacturing activity in the Tenth District remained strong with year-over-year production and new orders indexes staying largely unchanged from the high levels posted in October. Additionally, the year-over-year factory employment index rose to its highest point since 2000.

To view the current survey, visit our Web site ([www.kc.frb.org](http://www.kc.frb.org)) and point to "Economic Research & Data." Next, click "Regional Economic Information," then "Manufacturing Survey," and then "Current Survey (December 8, 2003)."

## Beige Book released

The Beige Book was released Nov. 26. The Beige Book is a summary of current economic conditions in each Federal Reserve District. Nationally, reports from the District Banks suggest that the economy continued to grow in October and early November. Locally, there were increases in retail sales, manufacturing activity, and the agricultural sector; however, commercial real estate was still weak, and wage and price increases remained modest.

For details about national and Tenth District economic activity, visit our Web site at [www.kc.frb.org](http://www.kc.frb.org). Point to "Publications & Education Resources," click "Economic Resources," and then "Current Economic Conditions."

## District banker named to Thrift Institutions Advisory Council

The Federal Reserve Board of Governors recently named David H. Hancock, chief executive officer, North American Savings Bank in Grandview, Mo., to its Thrift Institutions Advisory Council (TIAC), effective Jan. 1, 2004.

Established in 1980, the TIAC is an advisory group made up of 12 representatives from thrift institutions. The council meets three times a year with the Board of Governors to discuss developments relating to thrift institutions, the housing industry, mortgage financing, and certain regulatory issues.

More information about the TIAC, its leadership, and its members is available on the Board of Governor's Web site at [www.federalreserve.gov](http://www.federalreserve.gov). Click "News and Events" in the left column, then "All Press Releases," and then "December 1, 2003: Four new members named to the Thrift Institutions Advisory Council; new president and vice president named for 2004."

## Bridging the gap in rural healthcare

Access to quality healthcare is a vital component of the rural economy. Not only is healthcare an essential service, but it provides high-wage jobs and is an important factor for families and businesses when they make decisions about where to locate. The September issue of *The Main Street Economist* examines some of the innovative strategies being used to enhance rural healthcare.

Read the full report on our Web site ([www.kc.frb.org](http://www.kc.frb.org)). Point to "About the Fed," click "Center for the Study of Rural America," then "The Main Street Economist," then "September 2003."

## **New Board of Directors members announced**

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Mark W. Schifferdecker and Kevin Nunnink have joined to the Federal Reserve Bank of Kansas City's Board of Directors. Schifferdecker is the president and CEO of Girard National Bank in Girard, Kan. He began serving a three-year term as a Class A director on Jan. 1, 2004. Nunnink is the chairman of Integra Realty Resources in Westwood, Kan. He began serving a three-year term as a Class B director on Jan. 1, 2004.

Reserve Bank directors meet monthly to oversee the Bank's operations and policies, and to confer on economic and banking developments. The Board includes nine directors, six of whom are elected by member banks in the seven states of the Tenth Federal Reserve District. The remaining three directors are appointed by the Board of Governors of the Federal Reserve System to represent the general public.

## **Regulatory developments** **Proposed amendments to five consumer protection regulations**

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The Federal Reserve Board has published proposed rules to establish more uniform standards for providing disclosures under five consumer protection regulations: B (Equal Credit Opportunity); E (Electronic Fund Transfers); M (Consumer Leasing); Z (Truth in Lending); and DD (Truth in Savings). Establishing a more uniform standard, and defining more specifically the standard for providing disclosures, is intended to help ensure that consumers receive noticeable and understandable information that is required by law in connection with obtaining consumer financial products and services. Under most of the consumer financial services and fair lending laws administered by the Board, consumers must be provided with disclosures that are "clear and conspicuous." This standard is currently defined using similar but not identical language in the various regulations. The proposed rules provide a more specific definition for "clear and conspicuous" and include examples of how to meet the standard. The Board also is proposing additional amendments to Regulation Z and the staff commentary that interprets and implements the regulation. These include wording to clarify that the word "amount" represents a numerical amount throughout Regulation Z and proposed updates to the staff commentary providing guidance on consumers' exercise of rescission rights for certain home-secured loans. Comment on the proposed rules is requested by **Jan. 30, 2004**.

## **Final rule amending Regulation Y on permissible data processing activities**

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The Federal Reserve has issued a final rule amending Regulation Y to expand the abilities of all bank holding companies to process, store, and transmit nonfinancial data in connection with financial data processing activities. Currently, bank holding companies that provide data processing services to third parties must limit the revenue from processing of nonfinancial data to 30 percent of total data processing revenue with the remainder derived from processing financial data. The Board is raising the revenue limit that currently applies to the nonfinancial data processing activities of bank holding companies from 30 percent to 49 percent. The Board also announced that it will consider proposals by a financial holding company to engage in, or acquire a company engaged in, other nonfinancial data processing, information portal, and technology-related activities that the financial holding company believes are complementary to financial activities on a case-by-case basis in accordance with the procedures established by section 4(j) of the Bank Holding Company Act.

Questions pertaining to this matter should be direct to Joe Van Walleghem in our Kansas City office at (800) 333-1010, extension 2387 (816-881-2387 locally) or by e-mail at [joe.vanwalleghem@kc.frb.org](mailto:joe.vanwalleghem@kc.frb.org).

**Final extension of conditional exception to Bank Secrecy Act regulations**

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The Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) has given notice that it has again extended a conditional exception to a Bank Secrecy Act requirement that expired on Dec. 1, 2003. The exception permits financial institutions to substitute coded information for the true name and street address of a customer in a funds transmittal order of \$3,000 or more. The purpose of the prior extension was to permit FinCEN to perform a study of the alternatives to continuing the conditional extension. Following the study, FinCEN decided to extend the exception one final time until **July 1, 2004**; after that date, such orders must include the customer's name and address. The notice can be found by accessing <http://www.gpoaccess.gov/fr/index.html>, browsing the Table of Contents for the Friday, November 28, 2003, Federal Register issue, and scrolling down to "Treasury Department" in that issue. Questions may be directed to Andrew Thompson at our Denver office at (800) 333-1020, extension 2535 (303-572-2535 locally) or by e-mail at [andrew.thompson@kc.frb.org](mailto:andrew.thompson@kc.frb.org).

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**Revised Currency Transaction form and suspicious activity report narrative guidance**

FinCEN has modified the Currency Transaction Report (CTR), known as IRS Form 4789, to facilitate the recording of the movement of foreign currency. The revised form is now known as FinCEN Form 104. To facilitate the transition to the new form, the prior version of the CTR, Form 4789, will be accepted until **Aug. 31, 2004**.

In addition, FinCEN has issued a guidance package designed to assist financial institutions in preparing suspicious activity report (SAR) forms and to improve the quality of information provided in SAR narratives.

Both the new form and the narrative guidance package can be found on the FinCEN Web site at [http://www.fincen.gov/wn\\_main.html](http://www.fincen.gov/wn_main.html). Questions on both may be directed to Andrew Thompson in our Denver office at (800) 333-1020, extension 2535 (303-572-2535 locally) or by e-mail at [andrew.thompson@kc.frb.org](mailto:andrew.thompson@kc.frb.org).

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**Effective dates for the Fair and Accurate Credit Transactions Act of 2003**

On Dec. 16, the Federal Reserve Board requested comment on interim final rules and proposed rules to establish effective dates for certain provisions of the Fair and Accurate Transactions Act of 2003 (FACT Act). The FACT Act includes provisions that pre-empt state laws that regulate areas governed by the Fair Credit Reporting Act (FCRA). These regulations are being issued jointly with the Federal Trade Commission.

The recently enacted FACT Act amends the FCRA and requires the Board and the FTC to adopt final rules establishing the effective dates for FACT Act provisions that do not have a statutorily prescribed effective date. The agencies are jointly adopting interim final rules that establish Dec. 31, 2003, as the effective date for the pre-emption provisions of the FACT Act, as well as provisions authorizing the agencies to adopt rules or take other actions to implement. The current pre-emption provisions of the FCRA expired Jan. 1, 2004, thus adopting these rules as interim final rules intends to avoid delay and confusion and has the effect of preserving the current state of the law while comment is received.

The Board and the FTC also are jointly proposing rules establishing a schedule of effective dates for other provisions of the FACT Act that do not contain effective dates. The joint proposed rules would establish March 31, 2004, as the effective date for FACT Act provisions that do not require significant changes to business procedures. The joint proposed rules make any provisions that would likely entail significant changes to business procedures to be effective on Dec. 1, 2004.

Comments on the joint interim final rules and proposed rules are due by **Jan. 12, 2004**. Questions may be directed to James Enright in our Denver office at (800) 333-1020, extension 2529 (303-572-2529 locally) or at [james.enright@kc.frb.org](mailto:james.enright@kc.frb.org).

**Internet access**

Regulatory developments like those above can be obtained from our Web site at [www.kc.frb.org](http://www.kc.frb.org). Point to “Banking Information” on the home page, then click “Regulations/Other Guidance,” and select either of the first two categories, as appropriate.

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