

# Fed Letter



## Holiday reminder

The Fed will be closed Thursday, July 4, in observance of Independence Day. A listing of the holidays observed by the Federal Reserve System in 2002 is available at [www.kc.frb.org](http://www.kc.frb.org). Point to "About the Fed," click "Tenth District," then "Bank Holiday Schedule."

## Welcome new member banks

The Kansas City Fed is pleased to welcome the following state bank members to the Federal Reserve System in the Tenth District:

Territory Bank	Muskogee, Okla.	May 15, 2002
Cowboy State Bank	Ranchester, Wyo.	May 22, 2002

## OCC issues alert on fraud schemes

The Office of the Comptroller of the Currency (OCC) issued an alert about fraud schemes involving organized gangs and newly hired bank tellers. The gangs are recruiting bank tellers to cash forged savings account withdrawals from customer accounts and to cash stolen U.S. Treasury checks. National banks are advised to exercise care and due diligence in their hiring practices and to periodically evaluate internal controls over the teller area. National banks also should file a Suspicious Activity Report (SAR), if the situation warrants.

For more information, visit the OCC's Web site ([www.occ.treas.gov](http://www.occ.treas.gov)), click "Issuances" in the left column, then the "2002" link next to "Alerts," and then "Alert 2002-4."

## Beige Book released

The Beige Book is a summary of current economic conditions in each Federal Reserve District. In the April 24 Beige Book, most Federal Reserve Districts reported signs of improvement or increases in economic activity since the last survey. For details about national and Tenth District economic activity, visit our Web site ([www.kc.frb.org](http://www.kc.frb.org)). Point to "Publications & Educational Resources," click "Economic Resources," and then "Current Economic Conditions."

## Regulatory developments Discount window changes proposed

The Board of Governors has requested public comment on a proposal to revise the Federal Reserve's discount window programs, which provide credit to help depository institutions meet temporary liquidity needs. The proposal is designed to enable the discount window to operate more efficiently and effectively and does not represent a change in the stance of monetary policy. The Board proposes to replace the adjustment credit program with a new lending program called primary credit and the extended credit program with a new program known as secondary credit. Primary credit would be available on a short-term basis, at an above-market rate, to generally sound depository institutions. Secondary credit would be available to those depository institutions not eligible for primary credit at a proposed rate of 50 basis points above the primary credit rate. By moving from below-market to above-market programs, the restrictions on discount window credit and the need for administration regarding the extension and use of Federal Reserve credit would be significantly reduced. While the proposal currently retains the seasonal credit program, the Board specifically requests comment on whether a seasonal program remains necessary and, if so, whether the interest rate on seasonal credit would more appropriately be set at the new primary credit rate.

Comment on this proposal is due **Aug. 22, 2002**. Questions should be directed to Melanie Payne in our Kansas City office at (800) 333-1010, extension 2851 (816-881-2851 locally) or by e-mail at [melanie.a.payne@kc.frb.org](mailto:melanie.a.payne@kc.frb.org).

**Reg C compliance  
date postponed**

The Board has approved a final rule that postpones the effective date of the recent amendments to Regulation C (Home Mortgage Disclosure Act – HMDA) from Jan. 1, 2003, to **Jan. 1, 2004**. The amendments expand the regulation’s coverage, redefine key terms, and require the collection of additional categories of data, including loan pricing data (the spread between the annual percentage rate on a loan and the yield on comparable Treasury securities). In a related action, the Board has adopted an interim amendment that mandates the use of 2000 census tracts and demographics in HMDA reporting effective **Jan. 1, 2003**.

Questions about these developments should be directed to the Consumer Affairs Department in our Kansas City office at (800) 333-1010, extension 2488 (816-881-2488 locally) or in our Denver office at (800) 333-1020, extension 2605 (303-572-2605 locally).

**Reg Z slipsheet  
issued**

Recent revisions to Regulation Z (Truth in Lending) have been incorporated into a new slipsheet dated May 2002. This slipsheet incorporates changes that were included in the slipsheet dated February 2002, as well as recent changes to the regulation. A complete version of Regulation Z now consists of the pamphlet dated March 30, 2001 (on the front cover) and the May 2002 slipsheet. To request a copy of the slipsheet, please contact our Consumer Affairs Department at the numbers listed in the previous paragraph.

**Fed warns about  
“prime bank”  
schemes**

Through Supervision and Regulation Letter SR 02-13, the Federal Reserve is warning banking organizations about continuing illegal schemes purporting to involve “prime bank” financial instruments. In its alerts in 1993 and 1996, and again in SR 02-13, the Federal Reserve is advising banking organizations and the public that, among other things, it does not know of any legitimate use of any financial instrument called a “prime bank” note, guarantee, letter of credit, or debenture, and that the Federal Reserve does not guarantee or enter into transactions with individuals and does not license anyone to trade “prime bank” financial instruments or act as the Federal Reserve’s agent to sell or redeem such instruments. In the past several years, the Federal Reserve has reviewed numerous illicit transactions and provided assistance to U.S. and foreign law enforcement and securities regulators. Based on this experience, the Federal Reserve has identified a number of hallmarks or “red flags” associated with many fraudulent financial instrument scams. These red flags are outlined in SR 02-13, which was mailed to District bank holding companies and state member banks. Questions about SR 02-13 should be directed to Rodney Jokerst in Kansas City at (800) 333-1010, extension 2903 (816-881-2903 locally) or by e-mail at [rodney.a.jokerst@kc.frb.org](mailto:rodney.a.jokerst@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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