

Fed Letter



Holiday reminder

The Fed will be closed **Wednesday, Dec. 25**, for Christmas and **Wednesday, Jan. 1, 2003**, for New Year's Day. A list of the holidays observed by the Federal Reserve System through 2005 is available at www.kc.frb.org. Point to "Services for Financial Institutions," click "Publications," and then "Holiday Schedule."

Beige Book released

The Beige Book was released Nov. 27. The Beige Book is a summary of current economic conditions in each Federal Reserve District. Most districts reported that economic activity grew slowly in late October and early November. Locally, the economy showed some signs of improvement during the reporting period.

For details about national and Tenth District economic activity, visit our Web site at www.kc.frb.org. Point to "Publications and Education Resources," click "Economic Resources," and then "Current Economic Conditions."

2003 fee schedules and PSAF announced

The Board of Governors has approved and announced the 2003 fee schedules for Federal Reserve Bank financial services. Fee schedules for most priced services are available on the Federal Reserve Banks' Financial Services Web site at www.frb services.org. The fee schedules for local cash services and checks services are available at www.kc.frb.org. Point to "Services for Financial Institutions," then click either "Cash" or "Check," then "Fee Schedules."

The Board also approved the 2003 private-sector adjustment factor (PSAF) for Reserve Bank priced services.

For more information about the 2003 fee schedules and PSAF, see the press release on the Board's Web site (www.federalreserve.gov). Click "News and Events" in the left column, then "All Press Releases," and then "October 31, 2002: Approval of fee schedules for Federal Reserve Bank payment services."

New Board of Directors members announced

Rick L. Smalley and Dan Dillingham have been elected to the Federal Reserve Bank of Kansas City's Board of Directors. Smalley is the president and CEO of Dickinson Financial Corp. in Kansas City, Mo. He will serve a three-year term as a Class A director beginning Jan. 1, 2003. Dillingham is the CEO of Dillingham Insurance and InServices, Inc. in Enid, Okla. He will serve a three-year term as a Class B director beginning Jan. 1, 2003.

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 New Regulation W approved

The Federal Reserve has approved a final version of Regulation W that comprehensively implements sections 23A and 23B of the Federal Reserve Act. These statutory provisions and Regulation W restrict loans by a bank to its affiliates, asset purchases by a bank from its affiliates, and other transactions between a bank and its affiliates. The purpose of the statute and the rule is to limit a bank's risk of loss in transactions with affiliates and to limit a bank's ability to transfer to its affiliates the benefits arising from its access to the federal safety net. Regulation W unifies in one public document the various interpretations of sections 23A and 23B that the Board and its staff have issued over the years as well as several new interpretations of the statute. Regulation W, which soon will be mailed to District institutions, will become effective on **April 1, 2003**.

**Related Regulation
W proposal issued**

Concurrent with releasing its final Regulation W, the Federal Reserve is seeking public comment on a proposed rule that would limit the availability of an exemption provided in Regulation W. Specifically, the proposal would limit to 100 percent of bank capital the amount of loans the bank can purchase from an affiliate pursuant to the exemption generally known as "250.250" and which now is incorporated into the new Regulation W. Although banks must meet certain exemption criteria, there is currently no limit on the amount of bank capital that can be exposed using the exemption. The comment period on this proposal will run through mid-December. For more information or with questions concerning this proposal or the final Regulation W, contact Paul Willis in our Kansas City office at (800) 333-1010, extension 2884 (816-881-2884 locally), or by e-mail at jpaul.willis@kc.frb.org.

**SR Letter
issued on
Sarbanes-Oxley Act**

Through its Supervision and Regulation Letter SR 02-20, the Board has outlined a number of features of the Sarbanes-Oxley Act of 2002 that could affect bank holding companies and state member banks. The act includes provisions addressing audits, financial reporting and disclosure, conflicts of interest, and corporate governance at public companies. The act also establishes new supervisory mechanisms, including the new Public Company Accounting Oversight Board, for accountants and accounting firms that conduct audits of public companies. Bank holding companies and state member banks that meet certain qualifications are subject to the act, as well as any rules and regulations the Securities and Exchange Commission may adopt to implement the act. Banking organizations that are not public are generally not covered by the act but may be subject to similar requirements under the Federal Reserve or the FDIC. The federal banking agencies currently are reviewing existing regulations and guidance to determine whether modifications are appropriate in light of the act, including any policies for non-public banking organizations. Questions regarding SR 02-20 should be directed to Jane Padget in our Kansas City office at (800) 333-1010, extension 2147 (816-881-2147 locally) or by e-mail at jane.m.padget@kc.frb.org.

**Board approves
new discount window
authority**

The Board has approved amendments to Regulation A that revise the Federal Reserve's discount window programs that help depository institutions meet temporary liquidity needs. The amendments, effective **Jan. 9, 2003**, replace adjustment and extended credit with two new programs titled primary and secondary credit. Primary credit, which will be priced above the federal funds rate, will be available for very short-term periods as a backup source of liquidity to generally sound depository institutions. Most depository institutions will qualify for primary credit. Secondary credit will be available at a slightly higher rate in appropriate circumstances to depository institutions that do not qualify for primary credit. The Board made no substantive changes to the seasonal credit program. Institutions that have already established access to the discount window will receive letters in the near future about their new program qualifications. Questions concerning these discount window changes should be directed to Melanie Payne in our Kansas City office at (800) 333-2987, extension 2851 or by e-mail at melanie.a.payne@kc.frb.org.

Internet access

Regulatory developments like those above can be obtained from our Web site at 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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