

# Fed Letter



## Manufacturing survey released

The monthly manufacturing survey for the Tenth Federal Reserve District was released Aug. 11. The survey asks plant managers about a variety of manufacturing indicators. The information is compiled into a snapshot of manufacturing in the District. In July, manufacturing activity in the District continued to show signs of improvement, and expectations for future production remained high.

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 (August 11, 2003)."

## Welcome new member banks

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

Kearney State Bank and Trust	Kearney, Neb.	July 28, 2003
High Plains Bank	Flagler, Colo.	Aug. 1, 2003

## Beige Book released

The Beige Book was released July 30. The Beige Book is a summary of current economic conditions in each Federal Reserve District. Nationwide, the 12 Federal Reserve Districts reported additional signs of increased economic activity during June and early July, as well as increased optimism about economic prospects in the coming months. Locally, the Tenth District's economy improved as retail sales rose, manufacturing activity increased, and housing and energy activity remained strong.

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."

## Growing and financing rural entrepreneurs

The new focal point for rural development is entrepreneurship. This was the consensus of participants of the fourth annual rural policy conference hosted by the Federal Reserve Bank of Kansas City's Center for the Study of Rural America. During the two-day conference, participants discussed rural entrepreneurship in the 21<sup>st</sup> century, lessons for growing rural entrepreneurship, and policy options. A summary of this year's conference is available in the June issue of *The Main Street Economist*. Read the publication 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*," and then "June 2003."

The full conference volume will be available in printed form and on our Web site this fall.

## Senior Loan Officer Opinion Survey results

Results are now available from the August 2003 Senior Loan Officer Opinion Survey on Bank Lending Practices. The most recent survey focused on changes in the supply of and demand for bank loans to businesses and households during the past three months, as well as potential demand for commercial and industrial loans.

To review the results of the August survey, visit the Board of Governors' Web site ([www.federalreserve.gov](http://www.federalreserve.gov)). Click "Publications and Education Resources" in the left column, then "Surveys and Reports," then "Senior Loan Officer Opinion Survey on Bank Lending Practices," and then "August" under the 2003 column.

## Regulatory developments

### Proposal on implementing new Basel Capital Accord

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On July 11, the Board of Governors issued for public comment three interagency documents related to the new Basel Accord framework for regulatory capital requirements. The three documents were: 1) Advance Notice of Proposed Rulemaking (ANPR); 2) Draft Interagency Supervisory Guidance on Internal Ratings-Based Systems for Corporate Credit; and 3) Draft Interagency Supervisory Guidance on Advanced Measurement Approaches for Measuring Operational Risk.

Comments on the ANPR and the interagency supervisory guidance are requested by **Nov. 3, 2003**. Questions on the ANPR and supervisory guidance should be directed to Julapa Jagtiani in our Kansas City office at (800) 333-1010, extension 2963, (816-881-2963 locally) or by e-mail at [julapa.jagtiani@kc.frb.org](mailto:julapa.jagtiani@kc.frb.org). The full documents (308 pages) can be found on our Web site.

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### Use of the Federal Reserve's primary credit program in effective liquidity management

The Board has issued Supervision and Regulation (SR) Letter 03-15, which contains interagency guidance on the appropriate use of the Federal Reserve's new primary credit discount window program in depository institutions' liquidity risk management and contingency planning. The guidance provides background on the Federal Reserve's discount window programs, including new primary and secondary credit programs introduced on Jan. 9, 2003. It also reiterates well-established supervisory policies on sound liquidity contingency planning and discusses sound practices in using primary credit borrowings in liquidity contingency plans. The guidance notes that both management and banking supervisors should view the occasional use of primary credit for short-term contingency funding as appropriate and unexceptional.

Questions pertaining to supervisory expectations contained within this guidance should be directed to Lance Caldwell at (800) 333-1010, extension 2462 (816-881-2462 locally), or by e-mail at [lance.d.caldwell@kc.frb.org](mailto:lance.d.caldwell@kc.frb.org). Questions regarding the discount window can be directed to Lisa Klose at (800) 333-2987, extension 2030 (816-881-2030 locally), or by e-mail at [lisa.s.klose@kc.frb.org](mailto:lisa.s.klose@kc.frb.org).

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### Final rules on disciplinary actions against accountants performing certain audit activities

On Aug. 8, the federal agencies issued final rules governing their authority to take disciplinary actions against independent public accountants and accounting firms that perform audits and attestation services required by section 36 of the Federal Deposit Insurance Act. The final rules establish procedures, under which the agencies can, for good cause, remove, suspend, or bar an accountant or firm from performing these services for insured depository institutions with assets of \$500 million or more. The final rules take effect **Oct. 1, 2003**.

Questions concerning the final rules 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](mailto:jane.m.padget@kc.frb.org).

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### Truth in lending thresholds revised

The Board has published its annual adjustment of the dollar amount that triggers additional disclosure requirements under the Truth in Lending Act for home mortgage loans that bear rates or fees above a certain amount. The dollar amount of the fee-based trigger has been adjusted from \$488 for 2003 to \$499 for 2004, based on the annual percentage change reflected in the Consumer Price Index. The adjustment is effective **Jan. 1, 2004**.

For more information, please contact 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).

**Proposed  
interagency guidance  
on identity theft  
protection programs**

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On Aug. 12, the federal bank and thrift agencies requested public comment on proposed guidance that would require financial institutions to develop programs to respond to incidents of unauthorized access to customer information, including procedures for notifying customers under certain circumstances. The proposed guidance interprets section 501(b) of the Gramm-Leach-Bliley Act, which established standards for safeguarding customer information. The proposed interpretation describes the components of a response program and sets a standard for providing notice to customers affected by unauthorized access to or use of customer information that could result in substantial harm or inconvenience to those customers, thereby reducing the risk of losses due to fraud or identity theft.

Comments on the proposed guidance are requested by **Oct. 14, 2003**. Questions pertaining to the proposal should be directed to Todd Offenbacher in our Kansas City office at (800) 333-1010, extension 2657 (816-881-2657 locally), or by e-mail at [todd.a.offenbacher@kc.frb.org](mailto:todd.a.offenbacher@kc.frb.org) or Ken Boldt in our Denver office at (800) 333-1020, extension 2526 (303-572-2526 locally), or by e-mail at [ken.g.boldt@kc.frb.org](mailto:ken.g.boldt@kc.frb.org).

**Proposals  
relating to  
anti-tying  
restrictions**

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The Board is requesting public comment on an official interpretation of the anti-tying restrictions in section 106 of the Bank Holding Company Act and on related supervisory guidance. Section 106 of the act generally prohibits a bank from conditioning the availability or price of one product on a requirement that the customer also obtain another product from the bank or an affiliate. The Board's proposed interpretation provides banking organizations and their customers a comprehensive guide to the special anti-tying restrictions applicable to banks under section 106. The related supervisory guidance also describes the types of policies and procedures that should help banks ensure and monitor their compliance with section 106. The Board also proposes to adopt an exception under section 106 for financial subsidiaries of state nonmember banks, allowing them to be treated as an affiliate and not a subsidiary for purposes of section 106, as is done for national and state member banks. Comments on the proposals are due by **Sept. 30, 2003**.

Questions should be directed to Rebecca Wackerman in our Kansas City office at (800) 333-1010, extension 2146 (816-881-2146 locally), or by e-mail at [becky.a.wackerman@kc.frb.org](mailto:becky.a.wackerman@kc.frb.org).

**Amendments  
announced to  
Appendix A of  
Regulatory CC**

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The Federal Reserve Board announced amendments to Appendix A of Regulation CC that reflect the restructuring of the Federal Reserve's check processing operations in the Fourth District. These amendments are the first in a series of amendments to Appendix A that will take place through the end of 2004.

Appendix A provides a routing number guide that helps depository institutions determine the maximum permissible hold periods for most deposited checks. As of **Nov. 1, 2003**, the Pittsburgh office of the Federal Reserve Bank of Cleveland no longer will process checks, and banks currently served by that office for check processing purposes will be reassigned to the Reserve Bank's head office in Cleveland.

The press release and the Board's Federal Register notice announcing these amendments are available through the Board's Web site ([www.federalreserve.gov](http://www.federalreserve.gov)). Click "News and Events" in the left column, then "Banking and Consumer Regulatory Policy," and then "August 28, 2003: Amendments announced to Appendix A of Regulation CC (Availability of Funds and Collection of Checks)."

**Internet access**

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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.

**Fed Letter****September 2003**

**Fed Letter** is published by the Public Affairs Corporate Communications Group of the Federal Reserve Bank of Kansas City, 925 Grand Boulevard, Kansas City, Missouri, 64198-0001, (800) 333-1010.

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