

(3) Exclude money market funds from definition of *margin stock* so as to give allow them good faith loan value.

(4) Edit statement in definition of *maximum loan value* that “[p]uts, calls and combinations thereof have no loan value” to reflect loan value for exchange-traded options.

Section 221.3 General Requirements

221.3(a)—General Rule

(1) Edit statement in general rule that collateral other than margin stock has good faith loan value to reflect fact that puts and calls that do not qualify as margin stock have no loan value.

221.3(c)—Revolving-Credit or Multiple-Draw Agreements

(2) Expand subsection to cover financing of securities purchased on a payment-against-delivery (or DVP) basis.

(3) Clarify that FR U-1 is always taken when arrangement is established and must be amended for subsequent disbursements if (i) all collateral is not pledged up front, or (ii) collateral has been withdrawn or substituted between disbursements.

221.3(d)—Single Credit Rule

(4) Clarify that single credit rule does not cover syndicated loans (see Board Interpretation on loan participations in section 221.124 of Regulation U).

221.3(e)—Mixed Collateral Loans

(5) Alter application of rule so that instead of separating margin stock collateral from nonmargin stock collateral, securities and cash equivalents are separated from other types of collateral.

Section 221.4 Agreements of Nonmember Banks

Editorial change reflects combining of Forms FR T-1 and FR T-2.

Section 221.5 Special Purpose Loans to Brokers and Dealers

No substantive changes.

Section 221.6 Exempted Transactions

Restore language to 221.6(f) that credit is not to be used by a customer to purchase securities from a broker-dealer.

Section 221.7 OTC List

No substantive changes.

Section 221.8 Supplement

Allow options that qualify as margin stock the same loan value as other margin stock.

Regulatory Flexibility Act

As noted in the summary, the proposed amendments should improve the regulation by providing explicit guidance on certain lending practices and greater flexibility in verifying compliance for certain types of loans. The Board believes there will be a beneficial economic impact if this proposal is adopted. Comments are invited on this statement.

Paperwork Reduction Act

In accordance with section 3506 of the Paperwork Reduction Act of 1995 (44 U.S.C. Ch. 35; 5 CFR 1320 Appendix A.1), the Board reviewed the proposed rule under the authority delegated to the Board by the Office of Management and Budget. Comments on the collections of information should be sent to the Office of Management and Budget, Paperwork Reduction Project (7100-0115), Washington, DC 20503, with copies of such comments to be sent to Mary M. McLaughlin, Federal Reserve Board Clearance Officer, Division of Research and Statistics, Mail Stop 97, Board of Governors of the Federal Reserve System, Washington, DC 20551.

The collection of information requirements in this proposed regulation are found in 12 CFR part 221. This information is required by Regulation U and authorized by the Securities Exchange Act of 1934 (15 U.S.C. 78g and 78w). The respondents are for-profit financial institutions. Records must be retained for three years after the credit is extinguished.

The Federal Reserve may not conduct or sponsor, and an organization is not required to respond to, this information collection unless it displays a currently valid OMB control number. The OMB control number is 7100-0115.

No additional reporting requirements or modifications to existing recordkeeping requirements are proposed. The current estimated burden is 4 minutes per response. There are 10,637 subject respondents making an estimated average of 212 of the subject loans annually, for a total of 157,853 hours of annual burden for recordkeeping. Based on an hourly cost of \$20, the annual cost to the public is estimated to be \$3,157,060.

Because the records would be maintained at banks and the notices are not provided to the Federal Reserve, no issue of confidentiality under the Freedom of Information Act arises.

Comments are invited on: (a) Whether the proposed collection of information is necessary for the proper performance of the Federal Reserve's functions; including whether the information has

practical utility; (b) the accuracy of the Federal Reserve's estimate of the burden of the proposed information collection, including the cost of compliance; (c) ways to enhance the quality, utility, and clarity of the information to be collected; and (d) ways to minimize the burden of information collection on respondents, including through the use of automated collection techniques or other forms of information technology.

List of Subjects in 12 CFR Part 221

Banks, banking, Brokers, Credit, Federal Reserve System, Margin, Margin requirements, Investment companies, Investments, Reporting and recordkeeping requirements, Securities.

For the reasons set out in the preamble, the Board proposes to amend 12 CFR Part 221 as follows:

PART 221—CREDIT BY BANKS FOR THE PURPOSE OF PURCHASING OR CARRYING MARGIN STOCK (REGULATION U)

1. The authority citation for Part 221 is revised to read as follows:

Authority: 15 U.S.C. 78c, 78g, 78h, 78q, and 78w.

§ 221.1 [Amended]

2. Section 221.1(b) is amended by removing the word “§ 221.2(b)” and adding “§ 221.2” in its place.

3. Section 221.2 is amended as follows:

a. By removing the alphabetic paragraph designations from the definitions and placing the definitions in alphabetical order;

b. By removing the paragraph designation (1) in front of the definition of *Bank*, by designating the text following the word *Bank* as paragraph (1), by revising newly designated paragraph (1) introductory text and paragraph (2) introductory text;

c. By adding new definitions in alphabetical order for *Cash equivalent* and *Examining authority*;

d. By removing the period at the end of paragraph (6)(iii) and adding “; or” in its place, and by adding new paragraph (6)(iv) to the definition of *Margin stock*;

e. By revising the third sentence of the definition of *Maximum loan value*.

The additions and revisions read as follows:

§ 221.2 Definitions.

* * * * *

Bank (1) Has the meaning given to it in section 3(a)(6) of the Act (15 U.S.C. 78c(a)(6)) and includes:

* * * * *

(2) *Bank* does not include:

* * * * *