

6. In Supplement I to Part 202, *Section 202.13—Information for Monitoring purposes*, would be amended as follows:

a. Under *13(a) Information to be requested.*, paragraph 6. would be revised; and

b. Under *13(b) Obtaining of information.*, paragraphs 4. and 5. would be redesignated as paragraphs 6. and 7. respectively, and new paragraphs 4. and 5. would be added.

The revisions and additions would read as follows:

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Section 202.13 Information for Monitoring purposes

13(a) Information to be requested.

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6. *Refinancings.* \square A refinancing occurs when an existing obligation is satisfied and replaced by a new obligation undertaken by the same borrower. \square A creditor that receives an application to [change the terms and conditions of] \square refinancing \square an existing extension of credit made by that creditor for the purchase of the applicant's dwelling may request the monitoring information again but is not required to do so if it was obtained in the earlier transaction.

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13(b) Obtaining of information.

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\square 4. *Applications through electronic media.* If an applicant applies through an electronic medium (for example, via the Internet or by facsimile) without any face-to-face interactive video capability, the creditor should treat the application as if it were accepted by mail or telephone. \square

\square 5. *Applications through interactive video.* If a creditor takes an application through an interactive application process with video capabilities, and the creditor can see the applicant, the creditor should treat these applications as taken in person and collect the monitoring information. \square

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By order of the Secretary of the Board, acting pursuant to delegated authority for the Board of Governors of the Federal Reserve System, December 21, 1995.

Jennifer J. Johnson,

Deputy Secretary of the Board.

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12 CFR Part 211

[Regulation K; Docket No. R-0911]

International Banking Operations

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Proposed rule.

SUMMARY: The Board of Governors of the Federal Reserve System (Board) is

proposing to amend its Regulation K regarding interstate banking operations of foreign banking organizations. The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (Interstate Act) removed geographic restrictions on interstate banking by foreign banks effective September 29, 1995, and requires certain foreign banks without U.S. deposit-taking offices to select a home state for the first time. The proposed amendments to Regulation K would require these foreign banks to select a home state by March 31, 1996, and would immediately remove outdated restrictions on certain mergers by U.S. bank subsidiaries of foreign banks outside the home state of the foreign bank. Obsolete and superseded provisions of Regulation K concerning home state selection would be deleted. The Board is also requesting comment on other aspects of the Interstate Act as it applies to foreign banks.

DATES: Comments must be received by February 5, 1996.

ADDRESSES: Comments should refer to Docket No. R-0911 and may be mailed to William W. Wiles, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, N.W., Washington D.C. 20551. Comments also may be delivered to Room B-2222 of the Eccles Building between 8:45 a.m. and 5:15 p.m. weekdays, or to the guard station in the Eccles building courtyard on 20th Street, N.W. (between Constitution Avenue and C Street, N.W.) at any time. Comments may be inspected in Room MP-500 of the Martin Building between 9:00 a.m. and 5:00 p.m. weekdays, except as provided in § 261.8 of the Board's rules regarding availability of information, 12 CFR 261.8.

FOR FURTHER INFORMATION CONTACT: Kathleen M. O'Day, Associate General Counsel (202/452-3786), Ann E. Misback, Managing Senior Counsel (202/452-3788), Douglas M. Ely, Senior Attorney (202/452-5289), Legal Division; Michael G. Martinson, Assistant Director (202/452-3640), Division of Banking Supervision and Regulation, Board of Governors of the Federal Reserve System. For users of Telecommunication Device for the Deaf [TDD] only, please contact Dorothea Thompson (202/452-3544), Board of Governors of the Federal Reserve System, 20th and C Streets, N.W., Washington, D.C. 20551.

SUPPLEMENTARY INFORMATION: The Interstate Act amended section 5 of the International Banking Act of 1978 (IBA), which governs interstate banking and branching operations of foreign banks. The Interstate Act also amended the

Bank Holding Company Act of 1956 (BHC Act), the Federal Deposit Insurance Act and several other statutes regarding interstate banking operations of bank holding companies, national banks and state banks. In light of these amendments, the Board proposes to amend the provisions of its Regulation K regarding interstate banking operations of foreign banking organizations (12 CFR 211.22) as discussed below.

Determination of Home State

Section 104(d) of the Interstate Act modifies the existing definition of a foreign bank's home state under section 5(c) of the IBA. Section 104(d) retains the provision of the IBA stating that the home state of a foreign bank that has any combination of branches, agencies, subsidiary commercial lending companies and subsidiary banks (U.S. banking operations) in more than one state is whichever of these states is selected by the foreign bank, or by the Board if the foreign bank fails to choose. Section 104(d) also provides, for the first time, that if a foreign bank has U.S. banking operations, including agencies or subsidiary commercial lending companies, in one state only, that state is the foreign bank's home state for purposes of interstate branching. The Board proposes the following amendments to 12 CFR 211.22(a) in order to reflect and implement these changes to the definition of a foreign bank's home state.

Abolition of Distinction Between Deposit-Taking Offices and Nondeposit-Taking Offices

Prior to the Interstate Act, the Board interpreted the IBA to require a foreign bank to have a home state only if the foreign bank had deposit-taking offices, *i.e.*, branches or subsidiary banks. 44 FR 62903 (November 1, 1979). This interpretation is set forth in § 211.22(a)(2) of Regulation K. Section 104(d) of the Interstate Act superseded this interpretation by providing for the first time that foreign banks with only agencies or subsidiary commercial lending companies have a home state. Accordingly, the Board proposes that § 211.22(a)(2) be deleted.

The Board also proposes that § 211.22(a)(5) be deleted. This provision follows the Board's interpretation of the IBA in § 211.22(a)(2) by requiring foreign banks to select as their home state the state where their first U.S. deposit-taking office is located. Since the Interstate Act has superseded that interpretation, § 211.22(a)(5) is proposed to be removed.