

Fed Letter



Board of Directors members elected

Rick L. Smalley and Dan L. Dillingham have been elected to the Federal Reserve Bank of Kansas City's Board of Directors. Smalley is the CEO of Dickinson Financial Corp. in Kansas City, Mo. He began serving a second three-year term as a Class A director on Jan. 1, 2006. Dillingham is the CEO of Dillingham Insurance in Enid, Okla. He began serving a second three-year term as a Class B director on Jan. 1, 2006.

Reserve Bank directors meet monthly to oversee the Bank's operations and policies, and to confer on economic and banking developments. 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.

Beige Book released

The latest edition of the Beige Book was released Nov. 30. The Beige Book is a summary of current economic conditions in each Federal Reserve district. Nationally, economic activity continued to expand from mid-October to mid-November in most districts, with increases in manufacturing and service sector activity and moderate real estate activity. Furthermore, nonresidential activity strengthened in several districts. Locally, the Tenth District's economy also showed positive movement during the same period. The district's retailers reported increasing sales, manufacturing activity continued to expand, and labor markets strengthened.

For details about national and Tenth District economic activity, visit <http://www.federalreserve.gov/fomc/beigebook/2005/20051130/default.htm>.

Manufacturing Survey released

The monthly Manufacturing Survey for the Tenth Federal Reserve District was released Nov. 30. The survey asks plant managers about a variety of manufacturing indicators. The information is compiled into a snapshot of manufacturing in the district. Manufacturing activity in the Tenth District slowed somewhat in November, but activity remained above year-ago levels. Although price indexes were still high, the expectations for future factory activity have improved.

To view the current survey, visit <http://www.kansascityfed.org/mfgsurv/2005Nov30mfg.htm>.

Holiday reminder

The Fed will be closed **Monday, Jan. 16, 2005**, for Martin Luther King Jr. Day. A listing of the holidays observed by the Federal Reserve System is available at www.frbservices.org. In the left column, click "Holiday Schedules."

Welcome new member bank

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

Bank of Newman Grove Newman Grove, Neb. Dec. 10

Regulatory developments

Proposed revised guidance on the Community Reinvestment Act

On Nov. 10, the Office of the Comptroller of the Currency (OCC), Board of Governors of the Federal Reserve System, and Federal Deposit Insurance Corporation (FDIC) collectively issued a request for comment on their guidance relating to the Community Reinvestment Act (CRA). This guidance is to address topics related to the revisions the agencies made to their regulations that implement the CRA. After reviewing comments on this proposal, these questions and answers will be added to the *Interagency Questions and Answers*, an existing document that contains informal staff guidance for examiners and other agency personnel, financial institutions, and the public. This additional guidance would be specific to the new OCC, Board, and FDIC rules issued on Aug. 2, 2005, that revised the CRA regulations to address regulatory burden imposed on small banks and included such factors as establishing the new “intermediate small banks” category.

Comments on the proposed guidance are due by **Jan. 9, 2006**.

Guidance on response programs for unauthorized access to customer information and customer notice

The Federal Reserve issued on Dec. 1 a joint Supervision and Regulation and Consumer Affairs Letter (SR 05-23/CA 05-10) that established its expectations for financial institutions and supervisory personnel with respect to the *Interagency Guidance on Response Programs for Unauthorized Access to Customer Information and Customer Notice (Guidance)*, which became effective upon publication in the *Federal Register* on March 29, 2005.

The *Guidance* interprets the *Interagency Guidelines Establishing Information Security Standards (Security Guidelines)* and states that each financial institution should implement a response program to address unauthorized access to customer information maintained by the institution or its service providers. The *Guidance* describes the components of a response program, including procedures to notify customers about incidents that involve unauthorized access to sensitive customer information. When evaluating the adequacy of a financial institution’s information security program required by the *Security Guidelines*, the Federal Reserve will consider whether the bank has developed and implemented a response program including notification procedures as described in the *Guidance*.

Additional information related to response to Hurricanes Katrina and Rita

The federal financial institutions regulatory agencies issued a revised set of questions and answers (Q&As) on Nov. 23, concerning inquiries from financial institutions on regulatory and reporting issues related to Hurricanes Katrina and Rita. The Federal Reserve has issued the Q&As document under Supervision and Regulation (SR) Letter 05-24. The revised Q&As document is a complete set of Q&As issued by the agencies, and it includes the first set of Q&As previously issued in SR Letter 05-20 on Oct. 14, 2005.

The new Q&As provide guidance on:

- Past due and nonaccrual reporting, including troubled debt restructurings, for commercial loans.
 - Past due and nonaccrual reporting for small business loans subject to across-the-board payment deferral arrangements.
 - Temporary hardship programs for non-credit card retail lending, including residential mortgage lending.
 - Treatment of municipal bond obligations.
-

Internet access

Regulatory developments like those above can be obtained from our website at www.kansascityfed.org. Point to “Banking Information” on the home page, then click “Regulations/Guidance” and select either of the first two categories, as appropriate.

Fed Letter**January 2006**

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.

Editor: Susan Nenonen

Supervisor: Jim Saladin

Graphic Designer: Beth Norman