



# fed LETTER

Colorado \* Kansas \* Missouri \* Nebraska \* New Mexico \* Oklahoma \* Wyoming

February 2007

FEDERAL RESERVE BANK of KANSAS CITY

## FEDERAL RESERVE OFFERS ONLINE RESOURCES FOR BANK DIRECTORS

The Federal Reserve's newly launched [Resources for Bank Directors](#) Web site is designed to assist bank directors with their management oversight responsibilities. It was developed by the Federal Reserve Bank of Kansas City and includes:

- Data resources: financial data for banks and bank holding companies.
- Publications: examination manuals, regulation and supervisory letters issued by the Federal Reserve System, written director training materials, speeches by members of the Board of Governors, and other general information.
- Training: materials used by Federal Reserve System examiners and the System's director training course, Insights.
- Events: a calendar of Federal Reserve events.
- Banking agencies: links to the Web sites of other federal and state banking agencies.

[Insights](#) is an online training course developed by the Federal Reserve Bank of Kansas City and supported by the Federal Reserve Bank of St. Louis. It introduces bank directors to corporate governance and director duties and responsibilities; covers basic bank financial analysis; and discusses the sources, control, and monitoring of portfolio risks, including credit, liquidity, and market risks.

## LATEST ISSUE OF *THE MAIN STREET ECONOMIST* AVAILABLE

In the [latest issue](#), Nancy Novack and Jason Henderson discuss how ethanol has created a buzz in rural America and on Wall Street with its recent success. Profits, however, can swing wildly because of forces beyond the industry's control. The article delves into what ethanol profits may look like in the future, as well as the risks for the industry.

## HOLIDAY REMINDER

The Federal Reserve will be closed **Monday, Feb. 19, 2007**, for Presidents' Day. The FRB Services Web site features a [full listing](#) of all holidays observed by the Federal Reserve.

MANUFACTURING SURVEY  
RELEASED

The **monthly manufacturing survey** for the Tenth Federal Reserve District was released Jan. 25. The survey asks plant managers about a variety of manufacturing indicators. The information is compiled into a snapshot of manufacturing in the District.

Growth in manufacturing activity eased further in January, but expectations for future factory activity generally remained solid. All price indexes in the survey increased moderately after trending down in recent months.

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BEIGE BOOK RELEASED

The **latest edition** of the Beige Book was released Jan. 17. The Beige Book is a summary of current economic conditions in each Federal Reserve District.

Nationally, economic activity expanded at a modest pace since the last report, with most Districts reporting modest increases in retail sales. Reports on the service sector were generally positive. Though the economy slowed to a modest pace in the Tenth District during December and early January, expectations suggested higher levels of activity in coming months. Consumer spending was mixed, commercial real estate remained solid, and lending activity continued to expand while deposits held steady.

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SCHEDULE ANNOUNCED FOR  
REGULATORY UPDATE SERIES

The Supervision and Risk Management Division will be conducting Regulatory Update Seminars at various locations in the Tenth District again this spring. The half-day program will focus on current issues and strategies relevant to state member banks and bank holding companies. The seminar will include topics covering the economy and current banking conditions for Midwestern and mountain region banks, executive highlights of important regulatory topics, asset/liability management, a discussion on credit conditions in community banks, and sound practices for business continuity.

The seminar is designed for presidents, chief executive officers, directors, and senior staff of state member banks and bank holding companies throughout the District. Dates and locations of the seminar are listed below. Registration begins at 8 a.m., with the program starting at 8:30 a.m. and ending by 12:15 p.m. Although there is no cost to attend the seminar, pre-registration is required.

The registration deadline is **March 12, 2007**. Please contact Lisa Aquino at the Kansas City office at (800) 333-1010, extension 2491 (816-881-2491 locally), or by e-mail at [lisa.aquino@kc.frb.org](mailto:lisa.aquino@kc.frb.org).

Dates and locations:

March 27 - Tulsa, Okla.

March 28 - Oklahoma City, Okla.

March 29 - Kansas City, Mo.

April 3 - Wichita, Kan.

April 4 - Kansas City, Mo.

April 10 - Kearney, Neb.

April 11 - Omaha, Neb.

April 17 - Montrose, Colo.

April 18 - Denver, Colo.

April 19 - Casper, Wyo.

**REGULATORY  
DEVELOPMENTS**

*Home Mortgage Disclosure Act  
information*

The Federal Reserve Board published on Dec. 29 its annual notice of the asset-size exemption threshold for depository institutions under Regulation C, which implements the Home Mortgage Disclosure Act. The asset-size exemption threshold for depository institutions is based on the annual percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers. The adjustment from \$35 million to \$36 million effectively exempts depository institutions with assets of \$36 million or less as of Dec. 31, 2006, from data collection in 2007. The revision went into effect Jan. 1, 2007, and applies to all data collection in 2007.

*Statement on complex structured  
finance activities*

The bank regulatory agencies and the Securities and Exchange Commission issued a **final statement** on the complex structured finance activities of financial institutions on Jan. 5. The statement describes the types of internal controls and risk management procedures that should help financial institutions identify, manage, and address the heightened legal and reputational risks that may arise from certain complex structured finance transactions (CSFTs). The final statement is substantially similar to the revised statement issued for comment in May 2006 but has been modified in certain respects to address comments received on the revised statement. Because the statement focuses on sound practices related to elevated-risk CSFTs, transactions that typically are conducted by a limited number of large financial institutions, it will not affect or apply to the vast majority of financial institutions, including most small institutions.

*Payments system risk (PSR) policy  
announcement*

On Jan. 12, the Federal Reserve Board announced revisions to Part 1 of its **Policy on Payments System Risk**. The revisions incorporate new international risk management standards for central counterparties, clarify the policy with regard to central counterparties, and communicate the Board's expectations for systemically important payments and settlement systems subject to its authority as follows:

1) Systemically important payments and settlement systems that are subject to the Board's authority are expected to complete and publicly disclose self-assessments against the principles and minimum standards in the policy. The System's senior management and Board of Directors should review and approve the assessment, and the results should be made readily available to the public by Dec. 31, 2007. Thereafter, the assessment should be updated following material changes to the System or its environment, and at a minimum, should be reviewed by the System every two years.

2) Incorporated into the policy are the Recommendations for Central Counterparties, developed by the Committee on Payment and Settlement Systems of the central banks of the Group of Ten countries and the Technical Committee of the International Organization of Securities Commissions. These recommendations serve as the Board's minimum standards for central counterparties identified as systemically important and subject to the Board's authority. This change is consistent with past revisions that updated the policy in light of new international risk management standards for payments and securities settlement systems.

*More regulatory developments*

To see more regulatory developments, go to the [Banking Information page](#) on our Web site and click “Regulations/Guidance” in the left column.

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