

**DATE:** November 25, 2002

**SUBJECT:** Final Regulation W (Transactions between Banks and their Affiliates)

**HIGHLIGHTS:** The Federal Reserve Board has decided to issue a final Regulation W that comprehensively implements sections 23A and 23B of the Federal Reserve Act.

These statutory provisions and Regulation W restrict loans by a bank to its affiliates, asset purchases by a bank from its affiliates, and other transactions between a bank and its affiliates. The purpose of the statute and the rule is to limit a bank's risk of loss in transactions with affiliates and to limit a bank's ability to transfer to its affiliates the benefits arising from its access to the Federal safety net.

Regulation W unifies in one public document the various interpretations of sections 23A and 23B that the Board and its staff have issued over the years as well as several new interpretations of the statute. The Board expects to publish the rule in the Federal Register shortly, with an effective date of April 1, 2003.

The Board also approved a final rule that rescinds the Board's existing interpretations of sections 23A and 23B in part 250 of title 12 of the Code of Federal Regulations (which have been incorporated into Regulation W) as of April 1, 2003.

In addition, the Board decided to seek public comment on a proposed rule that would prevent a bank from using an exemption in Regulation W for the purchase of extensions of credit from an affiliate if purchases made under the exemption exceeded 100 percent of the bank's capital.

Comment on the proposed rule is requested within thirty days of publication in the Federal Register, which is expected shortly.

**DOCUMENT LOCATION:** The October 31, 2002 press release is available under the Board of Governors' web site:

<http://www.federalreserve.gov/boarddocs/press/bcreg/2002/20021031/>

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