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(C) To own stock, stock options, bonds, notes or other forms of indebtedness issued by the borrowing bank, the market value of which exceeds \$100,000 or represents more than 1 percent of the value of that class of stock, stock options, bonds, notes or other form of indebtedness issued.

(3) Where the director has knowledge that a partner of the director has a financial interest in the proposed transaction; or

(4) Where the director has a financial interest in the proposed transaction as a result of the director's participation in current negotiations or arrangements concerning prospective employment with the borrowing bank.

(c) It is recognized that a Reserve Bank board can, within the spirit and letter of its responsibilities, delegate to appropriate officials of the Reserve Bank authority to act with respect to extensions of credit to individual banks determined to be in hazardous financial condition, thus avoiding both ratification by the board and applicability to the directors of the prohibitions of this section. Such delegation would not preclude continued advice to the board of appropriate information regarding bank conditions in the district so as to enable the board to perform fully its general oversight responsibilities.

§ 264a.4 Granting of ad hoc exemptions.

(a) The prohibitions of 18 U.S.C. 208 and § 264a.3 of this part shall not apply if the director first advises the Board of Governors of the nature and circumstances of the particular matter before the board and makes full disclosure of the financial interest involved and receives in advance a written determination made by the Board of Governors, or its designee, pursuant to 18 U.S.C. 208(b)(1), that the interest is not so substantial as to be deemed likely to affect the integrity of the services which the Federal Reserve System may expect from such director.

(b) Telegraphic communications from the President, First Vice President, Secretary or General Counsel of a Reserve Bank to the Board of Governors on behalf of a director and setting forth the precise nature of both the particular matter before the board and

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the financial interest involved shall be considered to meet the director's duty of full disclosure set forth in § 264a.4(a). Telegraphic response to the same identified officials of the Reserve Bank by the Board of Governors, or its designee, shall be deemed to meet the requirement of a written determination by the Board of Governors set forth in § 264a.4.

§ 264a.5 Exemption of remote or inconsequential financial interests.

(a) Pursuant to the provisions of 18 U.S.C. 208(b)(2), certain actions of directors of Federal Reserve Banks may be exempted from the prohibitions of 18 U.S.C. 208(a) and § 264a.3 of this part, if by general rule or regulation published in the FEDERAL REGISTER, the financial interest involved has been determined to be too remote or too inconsequential to affect the integrity of directors' services. Financial interests will be viewed as too remote or too inconsequential:

(1) In circumstances in which a director's action on a matter will not directly, substantially, and predictably affect the financial interest; or

(2) In circumstances in which a director's independence of judgment will not be affected by the financial interest.

(b) The Board of Governors has determined that the financial interests of a director, the director's spouse or minor child, or related persons in the following matters are too remote or too inconsequential to affect the integrity of directors' services and, accordingly, the prohibitions of 18 U.S.C. 208(a) and § 264a.3 of this part shall not apply to a director's participation in such matters:

(1) Deliberations concerning or ratification of extensions of credit, advances, or discounts to any bank that has not been determined to be in hazardous financial condition by the President of the Reserve Bank, provided such credit extensions, advances, or discounts are made under appropriate provisions of the Federal Reserve Act, regulations and policies of the Board of Governors and the Federal Reserve Banks, and the established operating procedures at the director's Reserve Bank;

(2) Deliberations concerning or affecting any financial institution, to the

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extent the financial interest in such matters results from:

(i) Maintenance at the financial institution of a checking or other deposit account covered by Federal Insurance;

(ii) A fiduciary relationship involving the utilization of the financial institution's trust or investment advisory services;

(iii) The receipt from the financial institution of consumer credit, as that term is defined in Regulation Z (12 CFR 226.2(p)); or

(iv) Participation in Federal funds or foreign exchange transactions with the financial institution;

(3) Deliberations concerning or affecting any financial institution or other enterprise to the extent the financial interest results from ownership of stock, stock options, bonds, notes, or other forms of indebtedness, the market value of which is less than \$100,000 and represents less than 1 percent of the value of that class of stock, stock option, bond, note or other form of indebtedness issued by the financial institution or other enterprise.

(4) Deliberations concerning or affecting any financial institution or other enterprise to the extent the financial interest results from holdings in a diversified and widely held mutual fund, investment company, pension or retirement plan that, in turn, may have invested in the financial institution, provided that the director does not contribute to investment decisions of the fund, company, or plan.

(c) Section 264a.3(b) of this part specifically identifies certain financial interests, the existence and knowledge of which will preclude a director from participating in deliberations or decisions of a Reserve Bank board (except through recourse to the procedures set forth in §264a.4) when the question presented is whether the board should approve or ratify an extension of credit, advance, or discount by a Reserve Bank to a bank which is, in the opinion of the President of the Reserve Bank, in hazardous financial condition. Financial interests identified in §264a.3(b) are viewed by the Board as offering a clear potential for conflict. The Board has determined that any other financial interest that a director, the director's spouse or minor child, or

related persons may have in such extensions of credit, advances, or discounts to banks in hazardous condition are too remote or too inconsequential to affect the integrity of directors' services and, accordingly, the prohibitions of 18 U.S.C. 208(a) and §264a.3 of this part shall not apply to a director's participation in such matters. These would include, for example, financial interests that might result from:

(1) A director's ownership of stock of a bank or business, other than a registered parent holding company of the borrowing bank, that may have an interest in the condition of the borrowing bank; or

(2) A director's service as a director or trustee of a business or other organization, other than a bank or the registered parent holding company of the borrowing bank, that may, itself or through a subsidiary, have an interest in the condition of the borrowing bank.

(d) The functions of directors often include their participation in discussions concerning (1) international, national, and regional economic and financial conditions, (2) monetary policy, (3) general conditions, trends or issues with respect to bank credit, (4) establishment of rates to be charged for all advances and discounts by Federal Reserve Banks, subject to review and determination of the Board of Governors pursuant to the Federal Reserve Act, (5) matters intended to have generally uniform application to banks within the Reserve Bank district, and (6) statutes and proposed or pending legislation in which the Federal Reserve System has a legitimate interest. The foregoing matters are not particular matters of the type described in 18 U.S.C. 208 and, therefore, that statute is not applicable to participation in such matters. However, even if the statute were held to be applicable to participation in such matters, the Board of Governors has determined that the financial interests of a director, the director's spouse or minor child, or related persons in such matters are too remote or too inconsequential to affect the integrity of directors' services and, accordingly, the prohibitions of 18 U.S.C. 208(a) and §264a.3 of this part shall not apply to a director's participation in such matters.

(e) Nothing in this section shall preclude a director from refraining, to the extent consistent with responsibilities imposed upon the directors by the Federal Reserve Act, from participation in a particular matter. The Board hereby gives notice of its intention to undertake a continuing review of the experience of Reserve Bank boards under this regulation with a view to assuring preservation of and adherence to the intent of both the Federal Reserve Act and 18 U.S.C. 208, as amended. In the course of such review, particular attention will be given to the provisions of this section.

PART 264b—RULES REGARDING FOREIGN GIFTS AND DECORATIONS

Sec.

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AUTHORITY: 5 U.S.C. 552, 7342; and 12 U.S.C. 248(i).

SOURCE: 44 FR 64399, Nov. 7, 1979, unless otherwise noted.

§264b.1 Purpose and scope.

This regulation implements the 1977 Amendments to the Foreign Gifts and Decorations Act, Pub. L. 95-105, which restricts Board Members' and employees' acceptance of foreign gifts and decorations. The restrictions apply to gifts whether they are tangible or intangible. Different rules apply depending on whether the gift has only "minimal value." There are also rules regarding acceptance of decorations from foreign governments.

§264b.2 Definitions.

(a) The term *Board Members and employees* means:

(1) Members of the Board of Governors of the Federal Reserve System, officers, and other employees of the Board;

(2) Consultants while employed by the Board; and acting on behalf of the Board; and

(3) Spouses and dependents of Board Members, officers, employees, and consultants as defined in this section.

(b) The term *foreign government* means any unit of a foreign governmental authority (or its agent or representative), including any foreign, national, state, local, or municipal government, and any international or multinational organization whose membership is composed of any such units.

(c) The term *decoration* means an order, device, medal, badge, insignia, emblem, or award.

§264b.3 Foreign gifts.

Except as provided below, Board Members and employees shall not request, or otherwise encourage the tender of, or accept, or retain, a tangible or intangible gift from a foreign government.

(a) *Gifts of minimal value.* If not otherwise prohibited by Board regulations, Board members and employees may accept and retain a tangible or intangible gift of minimal value, intended as a souvenir or mark of courtesy, from a foreign government. A gift of minimal value is one having a retail value in the United States at the time of acceptance not in excess of \$225 (or such higher amount established in 41 CFR part 101-49).

(b) *Educational scholarships or medical treatment.* Board Members and employees may accept and retain a gift of more than minimal value from a foreign government when such gift is in the nature of an educational scholarship or medical treatment.

(c) *Tangible gifts of more than minimal value.* A tangible gift of more than minimal value tendered by a foreign government may be accepted when it appears that to refuse the gift would likely cause offense or embarrassment or otherwise adversely affect the foreign relations of the United States. Such a gift accepted under these circumstances is deemed to have been accepted on behalf of the United States, and, upon acceptance, it shall become the property of the United States. Within 60 days after accepting a gift under these circumstances the member