



## **FEDERAL RESERVE SYSTEM**

### **12 CFR Part 215**

**[Regulation O; Docket No. 1714]**

**RIN 7100-AF 88**

### **Loans to Executive Officers, Directors, and Principal Shareholders of Member Banks**

**AGENCY:** Board of Governors of the Federal Reserve System (Board).

**ACTION:** Interim final rule with request for comments.

**SUMMARY:** In light of recent disruptions in economic conditions caused by the Coronavirus Disease 2019 and current strains in U.S. financial markets, the Board is issuing an interim final rule that excepts certain loans that are guaranteed under the Small Business Administration's Paycheck Protection Program from the requirements of section 22(h) of the Federal Reserve Act and the corresponding provisions of the Board's Regulation O.

**DATES:** This rule is effective [INSERT DATE OF PUBLICATION IN THE FEDERAL REGISTER]. Comments on the interim final rule must be received no later than [INSERT DATE 45 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].

**ADDRESSES:** You may submit comments, identified by Docket No. R-1714 and RIN 7100 AF 88, by any of the following methods:

- **Agency Web Site:** <http://www.federalreserve.gov>. Follow the instructions for submitting comments at <https://www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm>.
- **Email:** [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov). Include docket and RIN numbers in the subject line of the message.
- **Fax:** (202) 452-3819 or (202) 452-3102.

- **Mail:** Ann E. Misback, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue NW, Washington, DC 20551.

All public comments will be made available on the Board's web site at <http://www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm> as submitted, unless modified for technical reasons or to remove personally identifiable information at the commenter's request. Accordingly, comments will not be edited to remove any identifying or contact information. Public comments also may be viewed electronically or in paper form in Room 146, 1709 New York Avenue NW, Washington, DC 20006, between 9:00 a.m. and 5:00 p.m. on weekdays.

**FOR FURTHER INFORMATION CONTACT:** Laurie Schaffer, Deputy General Counsel, (202) 452-2272, Alison Thro, Deputy Associate General Counsel, (202) 452-3236, Benjamin McDonough, Assistant General Counsel, (202) 452-2036, Josh Strazanac, Senior Attorney, (202) 452-2457, Jasmin Keskinen, Legal Assistant, (202) 475-6650, Legal Division; or Anna Lee Hewko, Associate Director, (202) 530-6360, Constance Horsley, Deputy Associate Director, (202) 452-5239, Kathryn Ballintine, Manager, (202) 452-2555, Joe Maldonado, Senior Financial Policy Analyst, (202) 973-7341, Division of Supervision and Regulation; Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, NW, Washington, DC 20551. Users of Telecommunication Device for Deaf (TDD) only, call (202) 263-4869.

## **SUPPLEMENTARY INFORMATION:**

### **Table of Contents**

#### I. Background

- A. The Paycheck Protection Program and Small Business Administration lending restrictions

B. Insider lending restrictions in the Federal Reserve Act and Regulation O

II. The Interim Final Rule

III. Administrative Law Matters

A. Administrative Procedure Act

B. Congressional Review Act

C. Paperwork Reduction Act

D. Regulatory Flexibility Act

E. Riegle Community Development and Regulatory Improvement Act of 1994

F. Use of Plain Language

## **I. Background**

### ***A. The Paycheck Protection Program and Small Business Administration lending restrictions***

The spread of the Coronavirus Disease 2019 (COVID-19) has disrupted economic activity in the United States and many other countries. In addition, financial markets have experienced significant volatility. The magnitude and persistence of the overall effects on the economy remain highly uncertain. In light of these developments, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act which, among other things, created the Paycheck Protection Program (PPP) to facilitate lending to small businesses affected by COVID-19.

Under the PPP, qualified lenders, including many depository institutions subject to section 22(h) of the Federal Reserve Act and the Board's Regulation O,<sup>1</sup> may make loans to

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<sup>1</sup> 12 U.S.C. 375b; 12 CFR part 215.

small businesses for payroll-related and other purposes specified in the CARES Act.<sup>2</sup> Loans that meet the requirements for the PPP (PPP loans) set forth by the Small Business Administration (SBA) are guaranteed as to the unpaid principal and accrued interest of the loan. The guarantee for PPP loans provided by the SBA is backed by the full faith and credit of the United States. Only loans made between February 15, 2020, and June 30, 2020, are eligible for the PPP.<sup>3</sup> The SBA has issued several interim final rules to implement the PPP.<sup>4</sup>

Under the PPP, eligible borrowers generally include businesses with fewer than 500 employees or that are otherwise considered by the SBA to be small, including individuals operating sole proprietorships, entities that are independent contractors of other businesses, certain franchisees, nonprofit corporations, veterans organizations, and Tribal businesses.<sup>5</sup> The loan amount under the PPP is limited to the lesser of \$10 million and 250 percent of a borrower's average monthly payroll costs.<sup>6</sup>

Under the PPP, a borrower may apply to a PPP qualified lender for forgiveness of the portion of a PPP loan that is used in the first eight weeks of the loan for payroll costs and certain mortgage, rent, and utility payments. The SBA will reimburse the PPP lender for the forgiven

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<sup>2</sup> Pub.L. 116–136, 134 Stat. 281. CARES Act section 1102(a)(2).

<sup>3</sup> Id.

<sup>4</sup> Interim Final Rule: “Business Loan Program Temporary Changes; Paycheck Protection Program” (April 2, 2020) (85 FR 20811); Interim Final Rule: “Business Loan Program Temporary Changes; Paycheck Protection Program” (April 2, 2020) (85 FR 20817); Interim Final Rule: “Business Loan Program Temporary Changes; Paycheck Protection Program – Additional Eligibility Criteria and Requirements for Certain Pledges of Loans” (April 14, 2020) (85 FR 21747).

<sup>5</sup> Id.

<sup>6</sup> Id.

amount of any PPP loan.<sup>7</sup> PPP loans will have a maturity of two years and an interest rate of 100 basis points.<sup>8</sup> PPP lenders may not alter these terms.

PPP loans are subject to the same rules, conditions, and requirements as all other loans made under section 7(a) of the Small Business Act, unless otherwise specified by the SBA in its interim final rules administering the PPP.<sup>9</sup> Normally, SBA regulations would prohibit a PPP lender from making a PPP loan to “[b]usinesses in which the [PPP lender] or any of its Associates owns an equity interest” (SBA lending restrictions).<sup>10</sup> SBA regulations define an “Associate” of a PPP lender to be “[a]n officer, director, key employee, or holder of 20 percent or more of the value of the [PPP] [l]ender’s . . . stock or debt instruments” and any entity in which one of these individuals or certain relatives “own or controls at least 20 percent.”<sup>11</sup>

On April 14, 2020, the SBA issued an interim final rule stating, among other things, that SBA lending restrictions “shall not apply to prohibit an otherwise eligible business owned (in whole or part) by an outside director or holder of less than 30 percent equity interest in a PPP [l]ender from obtaining a PPP loan from the PPP [l]ender on whose board the director serves or in which the equity owner holds an interest, provided that the eligible business owned by the director or equity holder follows the same process as similarly situated customer or account

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<sup>7</sup> CARES Act section 1106.

<sup>8</sup> Interim Final Rule: “Business Loan Program Temporary Changes; Paycheck Protection Program” (April 2, 2020).

<sup>9</sup> Interim Final Rule: “Business Loan Program Temporary Changes; Paycheck Protection Program” (April 2, 2020) at 85 FR 20816.

<sup>10</sup> 13 CFR 120.110(o).

<sup>11</sup> 13 CFR 120.10.

holder of the [l]ender.”<sup>12</sup> The interim final rule also stated that SBA lending restrictions would continue to apply to officers and key employees of a PPP lender, and that “[f]avoritism by [a PPP] [l]ender in processing time or prioritization of [a] director’s or equity holder’s PPP application is prohibited.”<sup>13</sup>

***B. Insider lending restrictions in the Federal Reserve Act and Regulation O***

Among other things, section 22(h) and Regulation O impose requirements on a bank regarding extensions of credit made to insiders<sup>14</sup> of the bank or its affiliates. Loans to insiders are subject to quantitative limits, prior approval requirements by the bank’s board, and qualitative requirements concerning loan terms.<sup>15</sup> Regulation O also requires banks to keep certain records and make certain disclosures concerning extensions of credit subject to the rule.<sup>16</sup> Under section 22(h), an “extension of credit” includes, among other things, “making or renewing any loan, granting a line of credit, or entering into any similar transaction as a result of which the person becomes obligated (directly or indirectly, or by any means whatsoever) to pay money or its equivalent to the bank.”<sup>17</sup> Accordingly, PPP loans from a bank to an insider, including the

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<sup>12</sup> Interim Final Rule: “Business Loan Program Temporary Changes; Paycheck Protection Program – Additional Eligibility Criteria and Requirements for Certain Pledges of Loans” (April 14, 2020).

<sup>13</sup> Id. at 85 FR 21750.

<sup>14</sup> Insider means an executive officer, director, or principal shareholder, and includes any related interest of such a person. 12 CFR 215.2(h).

<sup>15</sup> See 12 CFR 215.4.

<sup>16</sup> See 12 CFR 215.8, 215.9, and 215.10.

<sup>17</sup> 12 U.S.C. 375b(9)(D)(i)(I).

insider's related interests,<sup>18</sup> would be subject to the requirements of section 22(h) and Regulation O.

The Housing and Community Development Act of 1992 (HCDA)<sup>19</sup> amended section 22(h) to authorize the Board to adopt, by regulation, exceptions to the definition of "extension of credit" in section 22(h) for transactions that "pose minimal risk." Therefore, the Board may except PPP loans from the restrictions imposed by section 22(h) and the corresponding provisions of Regulation O if it determines that PPP loans pose minimal risk.<sup>20</sup>

## **II. The Interim Final Rule**

The legislative history of the HCDA states that a transaction poses minimal risk when the risk is "minuscule compared to that of other loans."<sup>21</sup> PPP loans are guaranteed by the SBA, and the guarantee is backed by the full faith and credit of the United States. Unlike other SBA loans authorized under section 7(a) of the Small Business Act,<sup>22</sup> the SBA's guarantee for PPP loans extends to 100 percent of the PPP loan amount. PPP loans also are less susceptible to insider abuse than other extensions of credit from a bank to an insider, other loans guaranteed by the SBA, or other extensions of credit that the Board previously has determined pose minimal risk.<sup>23</sup> Unlike these other extensions of credit, PPP loans have standard terms that do not allow for

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<sup>18</sup> Related interest of a person means a company that is controlled by that person or a political or campaign committee that is controlled by that person or the funds or services of which will benefit that person. 12 CFR 215.2(n).

<sup>19</sup> Pub. L. 102-550, section 955, 106 Stat. 3672 (1992).

<sup>20</sup> 12 U.S.C. 375b(9)(D)(ii).

<sup>21</sup> See 138 Cong. Rec. S17, 914-15 (daily ed. October 8, 1992).

<sup>22</sup> 15 U.S.C. 636(a)(1)(A).

<sup>23</sup> The Board previously excepted certain transactions from the aggregate lending limit in § 215.4(d) of Regulation O based on a determination that these transactions posed "minimal risk." See 58 FR 26507 (May 4, 1993).

variation between borrowers, so banks are unable to modify the terms of PPP loans to be more favorable for insiders than for borrowers that are not insiders. Furthermore, like the PPP, which only applies to loans made between February 15 and June 30, 2020, the exception in this interim final rule only applies to loans made during the same time period. Excepting PPP loans from the definition of “extension of credit” in section 22(h) and the corresponding provisions of Regulation O is appropriate in light of these circumstances.

Accordingly, the Board has determined that PPP loans pose minimal risk. These PPP loans will not be subject to section 22(h) or the corresponding provisions of Regulation O if they are not prohibited by the SBA lending restrictions. The exception will help banks, particularly in smaller communities, to give effect to the PPP’s purpose of helping small businesses to continue to operate under current economic conditions. The Board is providing the temporary exclusion in the interim final rule to allow banking organizations to make PPP loans to a broad range of small businesses within their communities, consistent with applicable law and safe and sound banking practices. As noted, the SBA explicitly has prohibited a banking organization from favoring in processing time or prioritization a PPP application of one of its directors or equity holders and the Board will administer this interim final rule accordingly.

SBA lending restrictions continue to apply to certain PPP loans that also would be subject to section 22(h) and the corresponding provisions of Regulation O. Excepting PPP loans that would be prohibited by the SBA lending restrictions from the requirements of section 22(h) and the corresponding provisions in Regulation O would not achieve any meaningful regulatory purpose. Excepting these loans from one regime and not the other also may create confusion because some lenders may mistakenly interpret an exception under one regime to extend to both regimes.

This determination does not impact the application of other restrictions that may apply to PPP loans, including section 22(g) of the Federal Reserve Act or § 215.5 of Regulation O.<sup>24</sup> This determination also does not affect the SBA lending restrictions.

*Question 1: What are the advantages and disadvantages of excepting PPP loans from the definition of “extension of credit” in section 22(h) and the corresponding provisions of the Board’s Regulation O?*

*Question 2: What are the most appropriate terms and conditions for this exception and why?*

### **III. Administrative Law Matters**

#### ***A. Administrative Procedure Act***

The Board is issuing the interim final rule without prior notice and the opportunity for public comment and the delayed effective date ordinarily prescribed by the Administrative Procedure Act (APA).<sup>25</sup> Pursuant to section 553(b)(B) of the APA, general notice and the opportunity for public comment are not required with respect to a rulemaking when an “agency for good cause finds (and incorporates the finding and a brief statement of reasons therefor in the rules issued) that notice and public procedure thereon are impracticable, unnecessary, or contrary to the public interest.”<sup>26</sup>

The Board believes that the public interest is best served by implementing the interim final rule immediately. As discussed above, the spread of COVID-19 has disrupted economic activity in the United States and other countries. In addition, U.S. financial markets have

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<sup>24</sup> 12 U.S.C. 375a; 12 CFR 215.5.

<sup>25</sup> 5 U.S.C. 553.

<sup>26</sup> 5 U.S.C. 553(b)(B).

featured substantial levels of volatility. The magnitude and persistence of COVID-19 on the economy remain uncertain. In light of the substantial disruptions in the economy, and the likelihood that this interim final rule would help ameliorate those disruptions by promoting lending to small businesses, the Board finds that there is good cause consistent with the public interest to issue the rule without advance notice and comment.<sup>27</sup>

The APA also requires a 30-day delayed effective date, except for (1) substantive rules which grant or recognize an exemption or relieve a restriction; (2) interpretative rules and statements of policy; or (3) as otherwise provided by the agency for good cause.<sup>28</sup> Because the rules relieve a restriction by providing an exception to the definition of “extension of credit” in section 22(h) and Regulation O, the interim final rule is exempt from the APA’s delayed effective date requirement.<sup>29</sup>

While the Board believes that there is good cause to issue the rule without advance notice and comment and with an immediate effective date, the Board is interested in the views of the public and requests comment on all aspects of the interim final rule.

### ***B. Congressional Review Act***

For purposes of the Congressional Review Act, the Office of Management and Budget (OMB) makes a determination as to whether a final rule constitutes a “major” rule.<sup>30</sup> If a rule is deemed a “major rule” by the OMB, the Congressional Review Act generally provides that the rule may not take effect until at least 60 days following its publication.<sup>31</sup>

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<sup>27</sup> 5 U.S.C. 553(b)(B); 553(d)(3).

<sup>28</sup> 5 U.S.C. 553(d).

<sup>29</sup> 5 U.S.C. 553(d)(1).

<sup>30</sup> 5 U.S.C. 801 *et seq.*

<sup>31</sup> 5 U.S.C. 801(a)(3).

The Congressional Review Act defines a “major rule” as any rule that the Administrator of the Office of Information and Regulatory Affairs of the OMB finds has resulted in or is likely to result in (A) an annual effect on the economy of \$100,000,000 or more; (B) a major increase in costs or prices for consumers, individual industries, Federal, State, or local government agencies or geographic regions, or (C) significant adverse effects on competition, employment, investment, productivity, innovation, or on the ability of United States-based enterprises to compete with foreign-based enterprises in domestic and export markets.<sup>32</sup>

For the same reasons set forth above, the Board is adopting the interim final rule without the delayed effective date generally prescribed under the Congressional Review Act. The delayed effective date required by the Congressional Review Act does not apply to any rule for which an agency for good cause finds (and incorporates the finding and a brief statement of reasons therefor in the rule issued) that notice and public procedure thereon are impracticable, unnecessary, or contrary to the public interest.<sup>33</sup> In light of current market uncertainty, the Board believes that delaying the effective date of the rule would be contrary to the public interest.

As required by the Congressional Review Act, the Board will submit the final rule and other appropriate reports to Congress and the Government Accountability Office for review.

### ***C. Paperwork Reduction Act***

The Paperwork Reduction Act (44 U.S.C. 3501–3521) (PRA) states that no agency may conduct or sponsor, nor is the respondent required to respond to, an information collection unless it displays a currently valid Office of Management and Budget (OMB) control number. On June 15, 1984, OMB delegated to the Board authority under the PRA to approve and assign

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<sup>32</sup> 5 U.S.C. 804(2).

<sup>33</sup> 5 U.S.C. 808.

OMB control numbers to collections of information conducted or sponsored by the Board, as well as the authority to temporarily approve a new collection of information without providing opportunity for public comment if the Board determines that a change in an existing collection must be instituted quickly and that public participation in the approval process would defeat the purpose of the collection or substantially interfere with the Board's ability to perform its statutory obligation.

This interim final rule does not contain any collections of information subject to the PRA. However, the interim final rule does indirectly affect certain recordkeeping and disclosure requirements in Regulation O that have not previously been cleared by the Board under the PRA. In order to accurately account for these requirements pursuant to the PRA, the Board has temporarily approved a new collection of information titled Recordkeeping and Disclosure Requirements Associated with Regulation O (FR O; OMB No. 7100-NEW).

The Board's delegated authority requires that the Board, after temporarily approving a collection, solicit public comment to extend the information collections for a period not to exceed three years. Therefore, the Board is inviting comment to extend the FR O information collection for three years.

The Board invites public comment on the following information collection, which is being reviewed under authority delegated by the OMB under the PRA. Comments must be submitted on or before [INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]. Comments are invited on the following:

- a. Whether the collection of information is necessary for the proper performance of the Board's functions, including whether the information has practical utility;

- b. The accuracy of the Board's estimate of the burden of the information collection, including the validity of the methodology and assumptions used;
- c. Ways to enhance the quality, utility, and clarity of the information to be collected;
- d. Ways to minimize the burden of information collection on respondents, including through the use of automated collection techniques or other forms of information technology; and
- e. Estimates of capital or startup costs and costs of operation, maintenance, and purchase of services to provide information.

At the end of the comment period, the comments and recommendations received will be analyzed to determine the extent to which the Board should modify the collection.

**Final Approval under OMB Delegated Authority of the Temporary Implementation of, and Solicitation of Comment to Extend for Three Years, the Following Information Collection:**

*Collection title:* Recordkeeping and Disclosure Requirements Associated with Regulation O.

*Agency form number:* FR O.

*OMB control number:* 7100-NEW.

*Effective Date:* [INSERT DATE OF PUBLICATION IN THE FEDERAL REGISTER].

*Frequency:* Annual, event generated.

*Respondents:* Member banks of the Federal Reserve System, savings associations, and any subsidiary of such institutions.

*Estimated number of respondents:* Recordkeeping (§§ 215.8 and 215.9): 1,570; disclosure (§ 215.9): 1,570.

*Estimated average hours per response:* Recordkeeping (§§ 215.8 and 215.9): 4; disclosure (§ 215.9): 2.

*Estimated annual burden hours:* Recordkeeping (§§ 215.8 and 215.9): 6,280; disclosure (§ 215.9): 3,140; total: 9,420.

*General description of information collection:*

Sections 22(g) and (h) of the Federal Reserve Act<sup>34</sup> restrict certain transactions between banks and their insiders or insiders of their affiliates. Insiders include executive officers, directors, principal shareholders, and companies controlled by such persons. Congress enacted sections 22(g) and (h) to prevent bank insiders from abusing their positions to gain favorable treatment from their associated banks. Congress authorized the Board to prescribe rules and regulations as necessary to effectuate the purposes and to prevent the evasions of the sections. Accordingly, the Board has promulgated the Board's Regulation O to effectuate Congress' purpose of preventing insider abuse in banks.

Regulation O contains certain recordkeeping and disclosure requirements. Pursuant to § 215.8 of Regulation O, respondents must maintain records necessary for compliance with the requirements of Regulation O.<sup>35</sup> Any recordkeeping method adopted by a respondent shall identify, through an annual survey, all insiders of the respondent and maintain records of all extensions of credit to insiders of the respondent, including the amount and terms of each such extension of credit. Additionally, any recordkeeping method adopted by a respondent shall maintain records of extensions of credit to insiders of the respondent's affiliates by using either the survey method or borrower inquiry method, as set forth in Regulation O, or a different

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<sup>34</sup> 12 U.S.C. 375a, 375b.

<sup>35</sup> A respondent that is prohibited by law or by an express resolution of the board of directors of the respondent from making an extension of credit to any company or other entity that is covered by Regulation O as a company is not required to maintain any records of the related interests of the insiders of the respondent or its affiliates or to inquire of borrowers whether they are related interests of the insiders of the respondent or its affiliates. 12 CFR 215.8(d).

recordkeeping method if the appropriate Federal banking agency determines that the respondent's method is at least as effective as the listed methods.

Pursuant to § 215.9 of Regulation O, upon receipt of a written request from the public, a respondent must make available the names of each of its executive officers and each of its principal shareholders to whom, or to whose related interests, the member bank had outstanding as of the end of the latest previous quarter of the year, an extension of credit that, when aggregated with all other outstanding extensions of credit at such time from the member bank to such person and to all related interests of such person, equaled or exceeded 5 percent of the member bank's capital and unimpaired surplus or \$500,000, whichever amount is less.<sup>36</sup> Respondents are not required to disclose the specific amounts of individual extensions of credit. Additionally, each respondent must maintain records of all requests for the information described above and the disposition of such requests. These records may be disposed of after two years from the date of the request.

The recordkeeping and disclosure requirements in §§ 215.8 and 215.9 of Regulation O are required by section 306(o) of Pub. L. 102-242, 105 Stat. 2236 (1991) and authorized under 12 U.S.C. 1817(k).

*Current actions:* The Board has temporarily approved the collections of information contained within Regulation O. The Board has determined that this collection of information must be instituted quickly and that public participation in the approval process would defeat the purpose of the collection of information, as these collections of information are contained in an existing regulation, and the inability of the Board to enforce these collection of information requirements

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<sup>36</sup> No such disclosure is required if the aggregate amount of all extensions of credit outstanding at such time from the member bank to the executive officer or principal shareholder of the respondent and to all related interests of such a person does not exceed \$25,000.

due to noncompliance with the PRA would interfere with the Board's ability to perform its statutory duties.

The Board also invites comment to extend the FR O information collection for three years.

#### ***D. Regulatory Flexibility Act***

The Regulatory Flexibility Act (RFA)<sup>37</sup> requires an agency to consider whether the rules it proposes will have a significant economic impact on a substantial number of small entities.<sup>38</sup>

The RFA applies only to rules for which an agency publishes a general notice of proposed rulemaking pursuant to 5 U.S.C. 553(b). As discussed previously, consistent with section 553(b)(B) of the APA, the Board has determined for good cause that general notice and opportunity for public comment are unnecessary, and therefore the Board is not issuing a notice of proposed rulemaking. Accordingly, the Board has concluded that the RFA's requirements relating to initial and final regulatory flexibility analysis do not apply.

Nevertheless, the Board seeks comment on whether, and the extent to which, the interim final rule would affect a significant number of small entities.

#### ***E. Riegle Community Development and Regulatory Improvement Act of 1994***

Pursuant to section 302(a) of the Riegle Community Development and Regulatory Improvement Act (RCDRIA),<sup>39</sup> in determining the effective date and administrative compliance requirements for new regulations that impose additional reporting, disclosure, or other

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<sup>37</sup> 5 U.S.C. 601 et seq.

<sup>38</sup> Under regulations issued by the SBA, a small entity includes a depository institution, bank holding company, or savings and loan holding company with total assets of \$600 million or less and trust companies with total assets of \$41.5 million or less. *See* 13 CFR 121.201.

<sup>39</sup> 12 U.S.C. 4802(a).

requirements on insured depository institutions (IDIs), the Federal banking agencies must consider, consistent with the principle of safety and soundness and the public interest, any administrative burdens that such regulations would place on depository institutions, including small depository institutions, and customers of depository institutions, as well as the benefits of such regulations. In addition, section 302(b) of RCDRIA requires new regulations and amendments to regulations that impose additional reporting, disclosures, or other new requirements on IDIs generally to take effect on the first day of a calendar quarter that begins on or after the date on which the regulations are published in final form, with certain exceptions, including for good cause.<sup>40</sup> For the reasons described above, the Board finds good cause exists under section 302 of RCDRIA to publish this interim final rule with an immediate effective date.

As such, the final rule will be effective immediately on publication. Nevertheless, the Board seeks comment on RCDRIA.

#### *F. Use of Plain Language*

Section 722 of the Gramm-Leach-Bliley Act<sup>41</sup> requires the Federal banking agencies to use plain language in all proposed and final rules published after January 1, 2000. The Board has sought to present the interim final rule in a simple and straightforward manner. The Board invites comments on whether there are additional steps it could take to make the rule easier to understand. For example:

- Have we organized the material to suit your needs? If not, how could this material be better organized?

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<sup>40</sup> 12 U.S.C. 4802.

<sup>41</sup> 12 U.S.C. 4809.

- Are the requirements in the regulation clearly stated? If not, how could the regulation be more clearly stated?
- Does the regulation contain language or jargon that is not clear? If so, which language requires clarification?
- Would a different format (grouping and order of sections, use of headings, paragraphing) make the regulation easier to understand? If so, what changes to the format would make the regulation easier to understand?
- What else could we do to make the regulation easier to understand?

### **List of Subjects in 12 CFR Part 215**

Credit, Penalties, Reporting and recordkeeping requirements.

### **Authority and Issuance**

For the reasons stated in the preamble, the Board of Governors of the Federal Reserve System amends 12 CFR chapter II as follows:

### **PART 215—LOANS TO EXECUTIVE OFFICERS, DIRECTORS, AND PRINCIPAL SHAREHOLDERS OF MEMBER BANKS (REGULATION O)**

1. The authority citation for part 215 is revised to read as follows:

Authority: 12 U.S.C. 248(a), 375a(10), 375b(9) and (10), 1468, 1817(k), 5412; Pub. L. 102-242, 105 Stat. 2236 (1991) (12 U.S.C. 1811 note) and Pub. L. 116-136, 134 Stat. 281.

2. In § 215.3:

- a. In paragraph (b)(6), remove the words “of this part” and the word “or” at the end of the paragraph;

- b. In paragraph (b)(7), remove the period at the end of the paragraph and add “; or” in its place; and

- c. Add paragraph (b)(8).

The addition reads as follows:

**§ 215.3 Extension of credit.**

\* \* \* \* \*

(b) \* \* \*

(8) Except for purposes of § 215.5, a loan:

(i) In which the participation by the Small Business Administration on a deferred basis is 100 percent pursuant to section 1102(a)(1) of Pub. L. 116-136 (to be codified at 15 U.S.C. 636(a)(2)(F));

(ii) That is made during the period beginning on February 15, 2020, and ending on June 30, 2020; and

(iii) That would not be prohibited by 13 CFR 120.110(o) or rules or interpretations thereof issued by the Small Business Administration.

\* \* \* \* \*

Dated: April 17, 2020.

By order of the Board of Governors of the Federal Reserve System.

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Ann Misback,  
*Secretary of the Board.*

[FR Doc. 2020-08574 Filed: 4/20/2020 11:15 am; Publication Date: 4/22/2020]