

FEDERAL RESERVE BANK OF DALLAS  
DALLAS, TEXAS

June 9, 1966

**RESERVES OF MEMBER BANKS**

To the Member Banks of the  
Eleventh Federal Reserve District:

Reference is made to my letter of May 30, 1966, transmitting the text of an interpretation issued by the Board of Governors of the Federal Reserve System under date of May 25, 1966, concerning reserves against funds received by member banks in connection with instalment loans and treated by the member bank as hypothecated "deposits." The Board's interpretation specified that where the agreement between the bank and the borrower is such that instalment payments on loans are irrevocably assigned to the bank and cannot be reached by the borrower or his creditors, such payments are not "deposits" regardless of the terms used in relevant State statutes or in the bank's books and records and, therefore, are not subject to the reserve requirements of Regulation D.

In accordance with this interpretation and effective with reserve computation periods beginning June 9, 1966, funds of this type should no longer be reported in Column 7, "Time Deposits," of the Report of Deposits and Related Data submitted to this Bank by member banks on Form AC-8, in the case of reserve city banks, and on Form AC-62, in the case of nonreserve city banks.

The Report of Deposits and Related Data forms referred to above will be revised as promptly as possible to give effect to this change, as well as certain minor changes concerning which you were advised in my letter of January 25, 1966.

Yours very truly,

Watrous H. Irons

President