

**FEDERAL RESERVE BANK OF DALLAS
DALLAS, TEXAS 75222**

Circular No. 69-217
August 21, 1969

AMENDMENTS TO REGULATIONS D AND Q

**To All Member Banks
in the Eleventh Federal Reserve District:**

The Board of Governors of the Federal Reserve System adopted, effective August 15, 1969, clarifying amendments to the recently adopted regulatory provisions narrowing the exceptions under Regulation D and Regulation Q that are available to banks using repurchase agreements.

Two copies of the amendments are enclosed. It is requested that member banks place one copy with Regulation D and one copy with Regulation Q in the ring binder containing the Regulations of the Board of Governors and the Bulletins of this Bank.

Also enclosed is a copy of the Board's press release regarding the amendments.

Yours very truly,

P. E. Coldwell
President

Enclosures (3)

TITLE 12 — BANKS AND BANKING
CHAPTER II — FEDERAL RESERVE SYSTEM
SUBCHAPTER A — BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM

[Regulations D, Q]

PART 204 — RESERVES OF MEMBER BANKS

PART 217 — INTEREST ON DEPOSITS

**Repurchase Agreements on Part Interests in Government
and Agency Obligations**

1. Effective August 15, 1969, Section 204.1(f) and Section 217.1(f) are amended by striking in clause (2) thereof "(other than a part interest in such obligations)".

2a. The purpose of the amendment is to eliminate the requirement that a member bank must transfer its entire interest in a particular obligation in order for a borrowing by it through a "sale" under repurchase agreement of direct obligations of, or obligations that are fully guaranteed as to principal and interest by, the United States or any agency thereof to be classified as a nondeposit borrowing.

b. The amendment, which constitutes a minor relaxation of a recent amendment (published in the Federal Register of July 30, 1969, 34 F.R. 12430) narrowing the scope of permissible nondeposit bank liabilities on repurchase agreements, was adopted by the Board without following the procedures of section 553 of Title 5, United States Code, relating to notice, public participation, and deferred effective dates. Requiring a bank to transfer its entire interest in a Government or agency obligation in order for its liability to be classified as a nondeposit borrowing can be avoided by the denominational exchange procedures available with respect to such obligations. In the circumstances, the Board found that the time, inconvenience, and cost to both member banks and the Government that would be involved if the recent amendment became fully effective as earlier adopted would be contrary to the public interest.

Adopted August 15, 1969.

By order of the Board of Governors.
(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Deputy Secretary.

(SEAL)

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(Signed) Kenneth A. Kenyon
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Deputy Secretary.

(SEAL)



FEDERAL RESERVE

press release

For immediate release.

August 15, 1969.

The Board of Governors of the Federal Reserve System today issued a clarifying amendment to recently adopted regulatory provisions narrowing the exemptions under Regulation D (member bank reserves) and Regulation Q (interest on deposits) that are available to banks using repurchase agreements. The clarification will permit banks to continue to execute repurchase agreements on a part interest in Treasury or Federal agency obligations that are eligible for purchase by Reserve Banks, and to classify their liability thereon as a nondeposit borrowing.

As issued by the Board on July 24, amendments to Regulations D and Q granted exemptions therefrom for repurchase agreements involving Treasury or Federal agency obligations "other than a part interest in such obligations." The clarifying amendment deletes the phrase "other than a part interest in such obligations."

A repurchase agreement involves the sale of market instruments with an agreement to buy them back at a later date.

The clarifying amendment constitutes a minor adaptation of the provisions adopted during July and eliminates the requirement that a member bank must transfer its entire interest in a particular Treasury or Federal agency issue under this type transaction for the exemption to apply.