

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 69-228

September 5, 1969

To the Member Bank addressed:

The enclosed instructional material has been prepared as an aid to member banks in complying with recent amendments to Regulation D, "Reserves of Member Banks" and Regulation M, "Foreign Activities of National Banks."

We would recommend that a careful review of this material be made by individuals directly responsible for the computation and management of the reserve position at your bank.

Yours very truly,

P. E. Coldwell
President

Enclosure

FEDERAL RESERVE BANK OF DALLAS
DALLAS, TEXAS 75222

Instructions for the Computation of Required Reserves
On Certain Euro-Dollar Transactions Under Regulation D,
"Reserves of Member Banks" and Regulation M, "Foreign
Activities of National Banks," As Amended Effective
September 4, 1969

Accounting Department

September 5, 1969

The Board of Governors of the Federal Reserve System recently amended its Regulation D, Part 204, "Reserves of Member Banks" and Regulation M, Part 213, "Foreign Activities of National Banks,"* in order to moderate the flow of Euro-dollars between U.S. Banks and their foreign branches and also between U.S. and foreign banks, effective September 4, 1969.

The changes include:

1. Establishing a 10 per cent reserve requirement against (a) net borrowings by domestic offices of member banks from their foreign branches and (b) assets of foreign branches acquired from domestic offices of its parent bank, to the extent that such borrowing and assets exceed the daily average amounts outstanding in the four weeks ending May 28, 1969.
2. Establishing a 10 per cent reserve requirement against credit extended by a foreign branch of a member bank to United States residents, to the extent such credits exceed those in a base period defined as either (a) the amount outstanding on June 25 or 26, 1969 or (b) the daily average amount outstanding in the four weeks ending May 28, 1969.
3. Establishing a 10 per cent reserve requirement on borrowings by member banks from foreign banks, with one exception: only three per cent reserve is required

* Despite the title of Part 213, the conditions, limitations, and restrictions therein are applicable to foreign activities of State chartered member banks as well as national banks (12 U.S.C. 321,601).

against such borrowings that do not exceed four per cent of a member bank's daily average deposits subject to reserve requirements.

Each of the reserve requirements would be maintained by member bank head offices in a manner similar to that applicable to their deposit liabilities generally.

COMPUTATION OF REQUIRED RESERVES

Member banks will be required to continue to maintain reserve requirements in accordance with Regulation D amended effective September 12, 1968 and July 25, 1969, and supplemented as of April 17, 1969. Instructions and forms pertaining to deposit liabilities generally, will not be changed.

RESERVE REQUIREMENTS ON CERTAIN

EURO-DOLLAR TRANSACTIONS

(a) Transactions with parent bank.

The amendment to Regulation M requires that during each week of the four-week period beginning October 16, 1969, and each week of each successive four-week ("maintenance") period, a member bank having one or more foreign branches shall maintain with the Reserve Bank of its district, as a reserve against its foreign branch deposits, a daily average balance equal to 10 per cent of the amount by which the daily average total of (1) net balances due from its domestic offices to its foreign branches and (2) assets (including

participations) held by its foreign branches which were acquired from its domestic offices (excluding (a) assets so held on June 26, 1969 representing credit extended to persons not residents of the United States and (b) credit extended or renewed by a domestic office after June 26, 1969 to persons not residents of the United States to the extent such credit was not extended in order to replace credit outstanding on that date which was paid prior to its original maturity), during the four-week ("computation") period ending on the Wednesday fifteen days before the beginning of the maintenance period, exceeds the greater of (i) the corresponding daily average total (excluding assets representing credit extended to persons not residents of the United States) for either the four-week period ending May 28, 1969 or any computation period beginning on or after September 4, 1969, whichever is least, or (ii) three per cent of the member bank's daily average deposits subject to reserve requirements during the computation period.

In every instance, the applicable base computed under (i) or (ii) shall be reduced by the daily average amount of any deposits represented by borrowings of member banks from foreign banks.

In order to establish base period figures for the four-week period ending May 28, 1969, for the daily average total of (1) net balances due from domestic offices to its foreign branches and (2) assets held by foreign branches which were acquired from its domestic offices, a report form, "Base Report of Certain Euro-Dollar Transactions," Form AC-237, columns one, two and three are to be completed. Two copies of the form are included in these instructions.

(b) Credit extended to United States residents.

The amendment to Regulation M requires that during each week of the four-week period beginning October 16, 1969, and during each week of each

successive four-week maintenance period, a member bank having one or more foreign branches shall maintain with the Reserve Bank of its district, as a reserve against its foreign branch deposits, a daily average balance equal to 10 per cent of the amount by which daily average credit outstanding from its foreign branches to United States residents (other than assets acquired and net balances due from its domestic offices), during the four-week computation period ending on the Wednesday fifteen days before the beginning of each maintenance period, exceeds either the corresponding daily average total during the four-week period ending May 28, 1969 or the total outstanding on June 25 or 26, 1969. This paragraph does not apply to credit extended (1) by a foreign branch to U.S. residents of \$5 million or less on any day of a relevant computation period, (2) to enable the borrower to comply with requirements of the office of Foreign Direct Investments, Department of Commerce (the branch may in good faith rely on the borrower's certification that the funds will be so used), or (3) under binding commitments entered into before June 27, 1969.

A United States resident is defined as (a) any individual residing (at the time the credit is extended) in any State of the United States or the District of Columbia; (b) any corporation, partnership, association or other entity organized therein ("domestic corporation"); and (c) any branch or office located therein of any other entity wherever organized. Credit extended to a foreign branch, office, subsidiary, affiliate or other foreign establishment ("foreign affiliate") controlled by one or more such domestic corporations will not be deemed to be credit extended to a United States resident if the proceeds will be used in its foreign business or that of other foreign affiliates of the controlling domestic corporation(s).

The previously mentioned form, "Base Period Report of Certain Euro-Dollar Transactions," AC-237, column four, should be used to record the information for the four-week period ending May 28, 1969 and the total outstanding on June 25 or 26, 1969.

When Form AC-237 is completed it should be returned as soon as possible, but no later than September 12, 1969. This is a one-time report. It is suggested that a duplicate copy be prepared and retained for your records.

(c) Reserve percentages against certain deposits of foreign banking offices.

The amendment to Regulation D requires that during each week of the four-week period beginning October 16, 1969, and each week of each successive four-week ("maintenance") period, a member bank shall maintain with the Reserve Bank of its district a daily average balance equal to 10 per cent of the daily average amount of such deposits during the four-week ("computation") period ending on the Wednesday fifteen days before the beginning of the maintenance period; except that only three per cent need be so maintained against such deposits which are time deposits, (for the purpose of this paragraph, "time deposits" means any deposits having a maturity of one day or more) aggregating not more than four per cent of such member bank's daily average deposits subject to reserve requirements during the computation period.

Since no base period is used when calculating the reserve requirement against these deposits, the computation figures will be reported on the "Four-Week Report of Certain Euro-Dollar Transactions," AC-238. A discussion of this form follows in a later section of these instructions.

CALCULATION OF RESERVE REQUIREMENTS ON
CERTAIN EURO-DOLLAR TRANSACTIONS

We have listed below the computation period and maintenance periods to be used in the calculation of reserves for the remainder of 1969 and for 1970.

<u>Computation Period</u>	<u>Maintenance Period</u>	<u>Requirement Must be Satisfied During Reserve Periods Ending</u>
9/04/69 - 10/01/69	10/16/69 - 11/12/69	10/22, 10/29, 11/5, 11/12
10/02/69 - 10/29/69	11/13/69 - 12/10/69	11/19, 11/26, 12/3, 12/10
10/30/69 - 11/26/69	12/11/69 - 1/07/70	12/17, 12/24, 12/31, 1/7
11/27/69 - 12/24/69	1/08/70 - 2/04/70	1/14, 1/21, 1/28, 2/4
12/25/69 - 1/21/70	2/05/70 - 3/04/70	2/11, 2/18, 2/25, 3/4
1/22/70 - 2/18/70	3/ 5/70 - 4/01/70	3/11, 3/18, 3/25, 4/1
2/19/70 - 3/18/70	4/ 2/70 - 4/29/70	4/8, 4/15, 4/22, 4/29
3/19/70 - 4/15/70	4/30/70 - 5/27/70	5/6, 5/13, 5/20, 5/27
4/16/70 - 5/13/70	5/28/70 - 6/24/70	6/3, 6/10, 6/17, 6/24
5/14/70 - 6/10/70	6/25/70 - 7/22/70	7/1, 7/8, 7/15, 7/22
6/11/70 - 7/08/70	7/23/70 - 8/19/70	7/29, 8/5, 8/12, 8/19
7/09/70 - 8/05/70	8/20/70 - 9/16/70	8/26, 9/2, 9/9, 9/16
8/06/70 - 9/02/70	9/17/70 - 10/14/70	9/23, 9/30, 10/7, 10/14
9/03/70 - 9/30/70	10/15/70 - 11/11/70	10/21, 10/28, 11/4, 11/11
10/01/70 - 10/28/70	11/12/70 - 12/09/70	11/18, 11/25, 12/2, 12/9
10/29/70 - 11/25/70	12/10/70 - 1/06/71	12/16, 12/23, 12/30, 1/6
11/26/70 - 12/23/70	1/07/71 - 2/03/71	1/13, 1/20, 1/27, 2/3
12/24/70 - 1/20/71	2/04/71 - 3/03/71	2/10, 2/17, 2/24, 3/3

A brief explanation of the forms to be used in connection with amendments to Regulations D and M follows:

FORM AC-237 - "BASE PERIOD REPORT OF CERTAIN EURO-DOLLAR TRANSACTIONS"

This is a report to establish base period figures for the four-week period ending May 28, 1969, for (a) the daily average total of (1) net balances due from domestic offices to its foreign branches and (2) assets held by foreign branches which were acquired from its domestic offices and for (b) credit outstanding from foreign branches of member banks to United States residents. It also establishes a base period figure for June 25 or 26, 1969, for credit outstanding from foreign branches of member banks to United States residents. In computing the base under paragraph 213.7(b) of Regulation M, a member bank should include all claims on United States residents by all foreign branches, regardless of the amount for each foreign branch, but exclude all credit to United States residents to enable the borrower to comply with the requirements of the office of Foreign Direct Investment.

Each member bank in the Eleventh Federal Reserve District involved in the type of transactions defined in these instructions is required to file this report only once. This report should be returned as soon as possible, but no later than September 12, 1969.

All member banks located in Branch territories should file their report directly with the Branch involved.

FORM AC-238 - "FOUR-WEEK REPORT OF CERTAIN EURO-DOLLAR TRANSACTIONS"

This is a report of a four-week computation period by the member bank of net balances due foreign branches, assets held by foreign branches, credit extended by foreign branches to United States residents and borrowings from foreign banks.

Each member bank in the Eleventh Federal Reserve District involved in the type of transactions defined in these instructions is required to file, on Form AC-238, at the conclusion of the computation period, a four-week report of its daily net balances due foreign branches, assets held by foreign branches, total of net balances due foreign branches and assets held by foreign branches, credit extended by foreign branches to United States residents, and borrowings from foreign banks, classified as time and demand. This report should be mailed by the second business day after the close of the computation period.

All member banks located in Branch territories should file their reports directly with the Branch involved.

After receipt of the member bank's computation period report form, the reserve requirements for each category of foreign transactions will be calculated and Form AC-238 completed showing the necessary reserve requirements. A copy of the form will be returned to the member bank. The amount shown in "total requirement to be used for maintenance period ending" on the Form AC-238 will be included in the amount shown as required reserves on the daily Form AC-162 furnished Head Office member banks and on Form AC-213, Statement of Daily Average Required Reserves, furnished member banks located in Branch territories, for each of the four weeks in the maintenance period.

FORM AC-239 - "WORK SHEET FOR CALCULATING RESERVE REQUIREMENTS ON
TRANSACTIONS WITH FOREIGN BRANCHES"

This sample work sheet is designed to provide a member bank with the means for calculating its required reserve on transactions with foreign branches. While this work sheet will be used by this Bank, copies will not be furnished to member banks.

How to Use Work Sheet

Column 1 - The date of the four-week computation period.

Column 2 - The daily average total of the net balances due from foreign branches and assets held by foreign branches for the four-week computation period. Form AC-238, column three, averages.

Column 3 - The daily average total of the net balances due from foreign branches and assets held by foreign branches for the four-week period ending May 28, 1969. Form AC-237, column three, averages.

Column 4 - The lowest daily average total of the net balances due from foreign branches and assets held by foreign branches for any computation period beginning on or after September 4, 1969. Form AC-238, column three, averages.

Column 5 - Self-explanatory.

Column 6 - Three per cent of the member bank's daily average deposits subject to reserve requirements during the four-week computation period. ("Report of Deposits

and Related Data" is the source for this information.)

Column 7 - Self-explanatory.

Column 8 - The daily average borrowings from foreign banks (time and demand) for the four-week computation period.

Form AC-238, column five and six, averages.

Column 9 - Self-explanatory.

Column 10 - Self-explanatory.

Column 11 - Amount of reserve requirement.

Column 12 - The date of the four-week maintenance period.

FORM AC-240 - "WORK SHEET FOR CALCULATING RESERVE REQUIREMENTS ON CREDIT EXTENDED TO U.S. RESIDENTS BY FOREIGN BRANCHES"

This sample work sheet is designed to provide a member bank with the means for calculating its required reserve on credit extended to U.S. residents by its foreign branches. While this work sheet will be used by this Bank, copies will not be furnished to member banks.

How to Use Work Sheet

Column 1 - The date of the four-week computation period.

Column 2 - The daily average total amount of credit extended to U.S. residents. Form AC-238, column four, averages.

- Column 3 - The daily average total amount of credit extended to U.S. residents by foreign branches during the four-week period ending May 28, 1969. Form AC-237, column four, averages.
- Column 4 - The total amount of credit extended to U.S. residents by foreign branches outstanding on June 25 or 26, 1969. Form AC-237, column four, June 25 or 26.
- Column 5 - Self-explanatory.
- Column 6 - Amount shown in column five multiplied by the per cent of reserve requirements, 10 per cent.
- Column 7 - The date of the four-week maintenance period.

FORM AC-241 - "WORK SHEET FOR CALCULATING RESERVE REQUIREMENTS ON BORROWINGS FROM FOREIGN BANKS"

This sample work sheet is designed to provide a member bank with the means for calculating its required reserve on borrowings from foreign banks. While this work sheet will be used by this Bank, copies will not be furnished to member banks.

How to Use Work Sheet

- Column 1 - The date of the four-week computation period.
- Column 2 - Four per cent of bank's daily average deposits subject to reserves.
- Column 3 - The daily average total amount of time borrowings that do not exceed four per cent of daily average deposits subject to reserves. Form AC-238, column five, averages, see "Column 5" below.

- Column 4 - The amount shown in column three multiplied by the per cent of reserve requirement, three per cent.
- Column 5 - The amount of time borrowings in excess of four per cent of daily average deposits subject to reserves.
- Column 6 - The amount shown in column five multiplied by the per cent of reserve requirement, 10 per cent.
- Column 7 - The daily average total amount of demand borrowings.
Form AC-238, column six, averages.
- Column 8 - The amount shown in column seven multiplied by the per cent of reserve requirement, 10 per cent.
- Column 9 - Total reserve requirements on direct borrowings.
- Column 10 - The date of the four-week maintenance period.

TO: ACCOUNTING DEPARTMENT

FROM:

- Federal Reserve Bank, Sta. K, Dallas, Texas 75222
- Federal Reserve Bank Branch, El Paso, Texas 79999
- Federal Reserve Bank Branch, Houston, Texas 77001
- Federal Reserve Bank Branch, San Antonio, Texas 78206

CLOSING BALANCES
 FOR BASE PERIOD ENDING WEDNESDAY
May 28, 1969
 DATE

BASE PERIOD REPORT OF CERTAIN EURO-DOLLAR TRANSACTIONS
 (BALANCES AT CLOSE OF BUSINESS STATED IN NEAREST THOUSANDS)

BASE PERIOD		NET BALANCES DUE FOREIGN BRANCH(ES)		ASSETS HELD BY FOREIGN BRANCH(ES)		TOTAL OF COLS. 1 AND 2		CREDIT EXTENDED BY FOREIGN BRANCH(ES) TO U.S. RESIDENTS	
		1		2		3		4	
MONTH	DAY	MILLIONS	THOUSANDS	MILLIONS	THOUSANDS	MILLIONS	THOUSANDS	MILLIONS	THOUSANDS
MAY	1								
	2								
	3								
	4								
	5								
	6								
	7								
	8								
	9								
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	23								
	24								
	25								
	26								
	27								
	28								
TOTALS									
AVERAGES									
JUNE	25 or 26								

RECORD BALANCES FOR EACH DAY

I CERTIFY THAT THE REPORTED CLOSING BALANCES ARE CORRECT FOR THE ABOVE DATES

 (AUTHORIZED SIGNATURE)

