

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 69-278
November 7, 1969

REGULATIONS D AND Q

To All Member Banks
in the Eleventh Federal Reserve District:

For your information there is shown on the reverse side a copy of a press statement dated November 4, 1969, issued by the Board of Governors of the Federal Reserve System relating to the treatment of commercial paper issued by subsidiaries of member banks.

Yours very truly,

P. E. Coldwell

President

Enclosure (1)



FEDERAL RESERVE

press release

For immediate release

November 4, 1969

The Board of Governors of the Federal Reserve System today outlined measures to allow member banks whose subsidiaries had commercial paper outstanding on October 29, 1969, a reasonable time to adjust to a determination by the Board published on that date. In that determination the Board pointed out that obligations of bank subsidiaries are, under present provisions of Regulation Q and D, subject to interest rate limitations and reserve requirements to the same extent as obligations issued directly by the bank. Following is the text of a letter to the Federal Reserve Banks setting out these measures:

"In answer to inquiries from some Reserve Banks as to appropriate steps for implementing the Board's determination, announced October 29, 1969, that certain kinds of obligations issued by member bank subsidiaries are presently covered by Regulations Q and D, the Board has responded as follows:

"1. Regulation Q. The Board has suspended until December 1, 1969, the limitations on the rate of interest that may be specified in commercial paper or similar obligations with a maturity of 30 days or more issued by a subsidiary of a member bank, to the extent that the total amount of such obligations does not exceed the total amount of the subsidiary's commercial paper outstanding on October 29.

"2. Regulation D. The Board regards it as appropriate for a Reserve Bank to waive (a) penalties for member bank reserve deficiencies in reserve periods ending on or before October 29, 1969, that result from the treatment of bank subsidiary obligations as deposits and (b) penalties for such deficiencies in reserve periods ending on or before December 3, 1969, that result from such treatment of obligations of the subsidiary, to the extent that the total amount of such obligations does not exceed the total amount of the subsidiary's commercial paper outstanding on October 29.

"3. Discount window accommodation. The Board also regards it as appropriate for a Reserve Bank to provide accommodation at the discount window for member banks affected by the October 29 determination, in order to allow such banks a reasonable time to adjust in an orderly manner to that determination."