

FEDERAL RESERVE BANK OF DALLAS  
DALLAS, TEXAS 75222

Circular No. 70-6  
January 14, 1970

**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 February 12, 1970, amendments to Regulations Q and D, that will narrow the category of "Federal funds" transactions that are exempt from the Regulations. A copy of the press release concerning the amendments issued by the Board on January 8, 1970, is enclosed.

In conjunction with the amendment to section 217.1(f) of Regulation Q relating to Federal funds transactions as deposits, the Board has superseded, also effective February 12, 1970, its interpretation on "Transfer from deposit account to 'borrowed money' account and payment of interest thereon" (Published Interpretations ¶3261; S-1922) by amending such interpretation to read as indicated in the enclosed document.

Copies of the amendments are enclosed. It is requested that member banks place the amendments in the ring binder containing the Regulations of the Board of Governors and Bulletins of this Bank.

Yours very truly,

P. E. Coldwell

President

Enclosures (4)

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BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

**INTEREST ON DEPOSITS**

AMENDMENT TO REGULATION Q

Effective February 12, 1970, Section 217.1(f) is amended to read as follows:

SECTION 217.1—DEFINITIONS

\* \* \*

**(f) Deposits as including certain promissory notes and other obligations.**—For the purposes of this Part, the term “deposits” also includes a member bank’s liability on any promissory note, acknowledgment of advance, due bill, or similar obligation (written or oral) that is issued or undertaken by a member bank principally as a means of obtaining funds to be used in its banking business, except any such obligation that:

(1) is issued to (or undertaken with respect to) and held for the account of (i) a bank or an institution the time deposits of which are exempt from §217.7 pursuant to §217.3 (g) or (ii) an agency of the United States or the Government Development Bank for Puerto Rico;

(2) evidences an indebtedness arising from a transfer of direct obligations of, or obligations that are fully guaranteed as to principal and interest by, the United States or any agency thereof that the bank is obligated to repurchase;

(3) has an original maturity of more than two years, is unsecured, and states expressly that it is subordinated to the claims of depositors; or

(4) arises from a borrowing by a member bank from a dealer in securities, for one business day, of proceeds of a transfer of deposit credit in a Federal Reserve Bank (or other immediately available funds), commonly referred to as “Federal funds,” received by such dealer on the date of the loan in connection with clearance of securities transactions.

This paragraph shall not, however, affect (i) any instrument issued before June 27, 1966, or (ii) any instrument that evidences an indebtedness arising from a transfer of assets under repurchase agreement issued before July 25, 1969.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

**RESERVES OF MEMBER BANKS**

AMENDMENTS TO REGULATION D

1. Effective February 12, 1970, section 204.1(f) is amended to read as follows:

SECTION 204.1—DEFINITIONS

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(f) **Deposits as including certain promissory notes and other obligations.**—For the purposes of this Part, the term “deposits” also includes a member bank’s liability on any promissory note, acknowledgment of advance, due bill, or similar obligation (written or oral) that is issued or undertaken by a member bank principally as a means of obtaining funds to be used in its banking business, except any such obligation that:

(1) is issued to (or undertaken with respect to) and held for the account of (i) a domestic banking office<sup>58</sup> of another bank or (ii) an agency of the United States or the Government Development Bank for Puerto Rico;

(2) evidences an indebtedness arising from a transfer of direct obligations of, or obligations that are fully guaranteed as to principal and interest by, the United States or any agency thereof that the bank is obligated to repurchase;

(3) has an original maturity of more than two years, is unsecured, and states expressly that it is subordinated to the claims of depositors; or

(4) arises from a borrowing by a member bank from a dealer in securities, for one business day, of proceeds of a transfer of deposit credit in a Federal Reserve Bank (or other immediately available funds), commonly referred to as “Federal funds,” received by such dealer on the date of the loan in connection with clearance of securities transactions.

This paragraph shall not, however, affect (i) any instrument issued before June 27, 1966, (ii) any instrument that evidences an indebtedness arising from a transfer of assets under repurchase agreement issued before July 25, 1969, or (iii) any instrument issued to a foreign office of another bank before June 27, 1969.

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2. Effective February 12, 1970, section 204.5(c) (Supplement to Regulation D) is amended by inserting after “to foreign offices of other banks” the following: “,or institutions the time deposits of which are exempt from the rate limitations of Regulation Q pursuant to §217.3(g) thereof.”

<sup>58</sup> Any banking office in any State of the United States or the District of Columbia of a bank organized under domestic or foreign law.