

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 70-84
April 7, 1970

PROPOSED AMENDMENT TO REGULATION D
"RESERVES OF MEMBER BANKS"

To All Member Banks
in the Eleventh Federal Reserve District:

There is attached a copy of a proposed amendment to Regulation D, section 204.1(b), as submitted for publication in the Federal Register.

To aid in the consideration of this matter by the Board, interested persons are invited to submit relevant data, views, or arguments. Any such material should be submitted in writing to the Secretary, Board of Governors of the Federal Reserve System, Washington, D. C. 20551, to be received not later than April 27, 1970.

Requests for additional copies of the circular and any questions relative thereto should be addressed to the Accounting Department of this Bank.

Yours very truly,

P. E. Coldwell .

President

Attachment

FEDERAL RESERVE SYSTEM

[12 CFR Part 204]

RESERVES OF MEMBER BANKS

Transfers from Time Deposits To Cover Checks

The Board of Governors is considering changing the present definition of "time deposits" in this part (Regulation D) to exclude from the scope of that term any funds which are regularly utilized by the depository bank itself, pursuant to an express or implied agreement with the depositor, to cover checks drawn on the bank by the depositor. Deposits so utilized would be "demand deposits" for purposes of the reserve requirements imposed by this part.

The proposal being considered is to amend § 204.1(b) to read as follows:

(b) Time deposits.--The term "time deposits" means "time certificates of deposit", "time deposits, open account" and "savings deposits", as defined below, but shall not include any deposit representing funds which are regularly utilized, by action of the depository bank itself pursuant to an express or implied agreement with the depositor, to cover checks drawn on the bank by the depositor.**

**For example, funds deposited by the trust department of a bank in its own commercial department are not "time deposits" if regularly utilized to cover checks drawn by the trust department.

Recent evidence indicates that some member banks have accepted in their commercial departments non-interest-bearing savings accounts from their own trust departments. Each day

a transfer is made to the trust department's checking account to cover checks drawn that day by the trust department. The obvious purpose of this procedure is to avoid the higher demand deposit reserve requirements with respect to funds which in practical effect are subject to check. The intent of the amendment is to prevent the use of a savings or any other time deposit in tandem with a checking account, pursuant to an express or implied agreement, so as to vitiate the effect of the demand deposit reserve requirements in this part.

To aid in the consideration of this matter by the Board, interested persons are invited to submit relevant data, views, or arguments. Any such material should be submitted in writing to the Secretary, Board of Governors of the Federal Reserve System, Washington, D. C. 20551, to be received not later than April 27, 1970. Under the Board's rules regarding availability of information (12 CFR Part 261), such materials will be made available for inspection and copying upon request unless the person submitting the material asks that it be considered confidential.

By order of the Board of Governors, March 24, 1970.

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Deputy Secretary.

(SEAL)