

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 70-233

October 7, 1970

AMENDMENT TO REGULATION D
"RESERVES OF MEMBER BANKS"

To All Member Banks in the
Eleventh Federal Reserve District:

The Board of Governors of the Federal Reserve System has amended section 204.1(e)(1) of Regulation D, "Reserves of Member Banks", effective November 9, 1970. A copy of the amendment is attached.

By notice of proposed rule making published in the Federal Register of April 1, 1970 (35 F.R. 5416), the Board proposed to amend section 204.1(b) so as to prevent the use of a time deposit in tandem with a checking account for the purpose of avoiding the higher demand deposit reserve requirements properly applicable to such funds.

In view of comments received, the amendment adopted is narrower in scope than the version proposed for comment. The amendment as adopted is designed to prevent the use of funds deposited by a trust department of a member bank in a savings deposit in the commercial department of that bank in tandem with a checking account so as to avoid the higher demand deposit reserve requirements. In confining the amendment to savings deposits of a trust department, it is intended that the trust department of a member bank may continue to classify a certain portion of the funds on deposit in its commercial department as a time deposit in accordance with the interpretation set forth at section 204.102 (1959 Federal Reserve Bulletin 1475).

The amendment was adopted by the Board after consideration of all relevant material, including communications received from interested persons.

Please insert the attached amendment in the ring binder containing the Regulations of the Board of Governors and the Bulletins of this Bank. Please acknowledge receipt of the Amendment on the enclosed postal card.

Yours very truly,

P. E. Coldwell,

President

Attachments (2)

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

RESERVES OF MEMBER BANKS

AMENDMENT TO REGULATION D

Effective November 9, 1970, section 204.1(e)(1) is amended to read as follows:

(e) **Savings deposits.** The term "savings deposit" means a deposit —

(1) which consists of funds deposited to the credit of one or more individuals, or of a corporation, association, or other organization operated primarily for religious, philanthropic, charitable, educational, fraternal, or other similar purposes and not operated for profit;⁴ or in which the entire beneficial interest is held by one or more individ-

uals or by such a corporation, association, or other organization, except where the deposit is to the credit of the bank's own trust department and the funds involved are utilized to cover checks; and

⁴ Deposits in joint accounts of two or more individuals may be classified as savings deposits if they meet the other requirements of the above definition, but deposits of a partnership operated for profit may not be so classified. Deposits to the credit of an individual of funds in which any beneficial interest is held by a corporation, partnership, association, or other organization operated for profit or not operated primarily for religious, philanthropic, charitable, educational, fraternal, or other similar purposes may not be classified as savings deposits.