



American Revolution Bicentennial

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 75-160
October 21, 1975

AMENDMENTS TO REGULATIONS D AND Q

Definition of Savings Deposits

TO ALL MEMBER BANKS
AND OTHERS CONCERNED IN THE
ELEVENTH FEDERAL RESERVE DISTRICT:

Quoted below is the text of a statement issued October 2, 1975, by the Board of Governors of the Federal Reserve System:

The Board of Governors of the Federal Reserve System today amended the definition of savings deposits in its Regulations D and Q, to permit corporations, partnerships, and other profitmaking organizations to maintain savings accounts at member banks.

The amendments, effective November 10, 1975, place a ceiling on business savings deposits of \$150,000.

The dollar ceiling is intended to make such accounts attractive chiefly to small businesses that do not have access to the money markets to earn interest on temporarily idle funds.

Savings accounts have not previously been available, in general, at member banks to profitmaking business organizations. They have been available at savings and loan associations and other thrift institutions. The regulatory amendments announced today will, therefore, enable member banks to compete more effectively with savings institutions.

The Board asked the banks to classify their business savings accounts as a separate item for reporting purposes.

In Massachusetts and New Hampshire, where the law permits financial institutions to offer deposits subject to negotiable orders of withdrawal (NOWs--check-like use of interest bearing deposits), such accounts will continue to be available only to individuals and other qualifying organizations. Businesses are not eligible to establish NOW accounts.

In submitting the amendments for publication in the FEDERAL REGISTER, the Board of Governors made the following statement:

On June 5, 1975 the Board invited public comments to be submitted by July 25, 1975 on proposed amendments to its Regulation D (Reserves of Member Banks) and Regulation Q (Interest on Deposits) that would permit member banks

to classify funds of corporations, associations, and other organizations operated for profit as savings deposits (40 FEDERAL REGISTER 25031).

As proposed, the amendments would have permitted member banks to accept savings deposits from such organizations to the extent such funds do not exceed \$100,000 per depositor at a member bank. The Board requested comments from the public concerning the appropriateness of such a limitation. After review and consideration of all comments received, the Board has decided to adopt the amendments in a slightly modified form to permit member banks to accept savings deposits from business organizations up to a maximum of \$150,000 per depositor.

The amendments have been adopted in order to provide smaller business organizations, which do not ordinarily have access to short-term money market instruments, with a means of realizing a short-term return on their funds. These amendments will also enable member banks to compete more effectively with other financial institutions that are permitted to accept savings deposits from businesses. The Board adopted the \$150,000 per depositor limitation in order to limit the concentration of any potentially volatile funds in savings deposits and to confine the effects of the proposed amendments primarily to small businesses. The limitation of \$150,000 was adopted instead of the \$100,000 originally proposed since it was determined that the higher level would more adequately accommodate the needs of smaller business enterprises.

The amendments will become effective November 10, 1975. Member banks should maintain savings deposits established by business organizations as a separate deposit classification for reporting purposes.

In those states where member banks are permitted by law to offer deposits subject to negotiable orders of withdrawal (NOWs), such accounts will continue to be available only to individuals and other qualifying organizations as provided for by section 217.1(e) of Regulation Q.

After review of all relevant matter presented, pursuant to its authority under section 19 of the Federal Reserve Act (12 U.S.C. 461) to define the terms used in that section, the Board has decided to adopt the amendments as set forth below.

Copies of the amendments to Regulations D and Q are enclosed and should be filed in your Regulations binder. Additional copies of the amendments will be furnished upon request to the Secretary's Office of this Bank.

Sincerely yours,

T. W. Plant

First Vice President

Enclosures

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

RESERVES OF MEMBER BANKS

AMENDMENT TO REGULATION D

Effective November 10, 1975, § 204.1(e)(1) is amended to read as follows:

SECTION 204.1 — DEFINITIONS

* * * * *

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

(1) That consists of funds deposited to the credit of or in which the entire beneficial interest is held by one or more individuals, or 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 that consists of

funds deposited to the credit of or in which the entire beneficial interest is held by the United States, any State of the United States, or any county, municipality, or political subdivision thereof, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, American Samoa, Guam, or political subdivision thereof; or that consists of funds deposited to the credit of, or in which any beneficial interest is held by a corporation, association, or other organization not qualifying above to the extent such funds do not exceed \$150,000 per such depositor at a member bank;^{4a} 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. Deposits of a partnership operated for profit may also be classified as savings to the extent such deposits do not exceed \$150,000 per partnership at a member bank.

^{4a} Where a deposit is to the credit of the bank's own trust department and the funds involved are utilized to cover checks, such deposit may not be classified as a savings deposit.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

INTEREST ON DEPOSITS

AMENDMENT TO REGULATION Q †

Effective November 10, 1975, § 217.1(e)(1) is amended to read as follows:

SECTION 217.1 — DEFINITIONS

* * * * *

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

(1) That consists of funds deposited to the credit of or in which the entire beneficial interest is held by 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 that consists of

funds deposited to the credit of or in which the entire beneficial interest is held by the United States, any State of the United States, or any county, municipality, or political subdivision thereof, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, American Samoa, Guam, or political subdivision thereof; or that consists of funds deposited to the credit of, or in which any beneficial interest is held by a corporation, association or other organization not qualifying above to the extent such funds do not exceed \$150,000 per such depositor at a member bank; and

* * * * *

† For this Regulation to be complete as amended effective November 10, 1975, retain:

- 1) Printed Regulation pamphlet containing Regulation Q dated January 1, 1971;
- 2) Amendment effective January 1, 1974, Section 217.5(c)(4) and Section 217.6(i);
- 3) Amendment effective November 27, 1974, Section 217.1(e)(1);
- 4) Amendments effective December 23, 1974, Section 217.4(e) and Section 217.6(e);
- 5) Supplement effective December 23, 1974;
- 6) Amendment effective May 16, 1975, Section 217.1(e)(3);
- 7) Amendment effective June 5, 1975, Section 217.4(d) and amendment effective September 1, 1975, Section 217.3(f);
- 8) Amendment effective September 2, 1975, Section 217.5(c); and
- 9) This slip sheet effective on the date as shown herein.

⁴Deposits in joint accounts of two or more individuals may be classified as savings deposits if they meet the other requirements of the above definition. Deposits of a partnership operated for profit may also be classified as savings to the extent such deposits do not exceed \$150,000 per partnership at a member bank.