

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 79-52

March 21, 1979

**PROVISIONS REGARDING RESERVE REQUIREMENTS FOR
FOREIGN BRANCHES OF MEMBER BANKS MOVED FROM
REGULATION M TO REGULATION D**

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

On February 14, 1979, the Board of Governors of the Federal Reserve System adopted an amendment which transfers provisions regarding reserve requirements for foreign branches of member banks from Regulation M to Regulation D. The transfer is being done as part of the Board's revision of its international banking regulations.

Member banks and others that maintain Regulations Binders should file the enclosed amendments, effective February 14, 1979, in their binders. Please remove the Supplement to Regulation D, dated November 2, 1978, and the amendment to Regulation M, dated October 5, 1978.

Additional copies of the amendments will be furnished upon request to the Secretary's Office of this Bank, Ext. 6267.

Sincerely yours,

Robert H. Boykin

First Vice President

Enclosures (2)

Banks and others are encouraged to use the following incoming WATS numbers in contacting this Bank: 1-800-492-4403 (intrastate) and 1-800-527-4970 (interstate). For calls placed locally, please use 651 plus the extension referred to above.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

RESERVES OF MEMBER BANKS

SUPPLEMENT TO REGULATION D

As amended effective February 14, 1979

SECTION 204.5—RESERVE REQUIREMENTS

(a) **Reserve percentages.** Pursuant to the provisions of Section 19 of the Federal Reserve Act and § 204.2(a) and subject to paragraph (c) of this section, the Board of Governors of the Federal Reserve System hereby prescribes the following reserve balances that each member bank of the Federal Reserve System is required to maintain on deposits with the Federal Reserve Bank of its district.

(1) If not in a reserve city —

(i) 3 percent of (a) its savings deposits and (b) its time deposits, open account, that constitute deposits of individuals, such as Christmas club accounts and vacation club accounts, that are made under written contracts providing that no withdrawal shall be made until a certain number of periodic deposits have been made during a period of not less than 3 months; and

(ii) 1 percent of its time deposits outstanding on or issued after October 16, 1975, that have an initial maturity of 4 years or more; 2½ percent of its time deposits outstanding on or issued after December 25, 1975, that have an initial maturity of 180 days or more but less than 4 years; 3 percent of its time deposits up to \$5 million, outstanding on or issued after October 16, 1975, that have an initial maturity of less than 180 days, plus 6 percent of such deposits in excess of \$5 million. **Provided, however,** that in no event shall the reserves required on its aggregate amount of time and savings deposits be less than 3 percent. In addition, a member bank shall maintain a reserve balance equal to 2 percent of its time deposits of the following types:

- (a) Time deposits of \$100,000 or more; and
- (b) Time deposits of \$100,000 or more represented by promissory notes, acknowledgments of advance, due bills, or similar obligations as provided in § 204.1(f); and
- (c) Time deposits represented by ineligible bankers' acceptances or obligations issued by a member bank's affiliate, as provided in § 204.1(f).

However, the supplementary 2 percent reserve requirement shall not apply to a savings deposit, or a time deposit, open account that constitutes deposits of individuals, such as Christmas club accounts and vacation club accounts, that are made under written contracts providing that no withdrawal shall be made until a certain number of periodic deposits have been made during a period of not less than 3 months.

(iii) (a) 7 percent of its net demand deposits if its aggregate net demand deposits are \$2 million or less, (b) \$140,000 plus 9½ percent of its net demand deposits in excess of \$2 million if its aggregate net demand deposits are in excess of \$2 million but not more than \$10 million, (c) \$900,000 plus 11¾ percent of its net demand deposits in excess of \$10 million if its aggregate net demand deposits are in excess of \$10 million but not more than \$100 million, or (d) \$11,475,000 plus 12¾ percent of its net demand deposits in excess of \$100 million.

(2) If in a reserve city (except as to any bank located in such a city that is permitted by the Board of Governors of the Federal Reserve System pursuant to § 204.2(a) (2), to maintain the reserve specified in paragraph (a)(1) of this section) —

(i) 3 percent of (a) its savings deposits and (b) its time deposits, open account, that constitute deposits of individuals, such as Christmas club accounts and vacation club accounts, that are made under written contracts providing that no withdrawal shall be made until a certain number of periodic deposits have been made during a period of not less than 3 months; and

(ii) 1 percent of its time deposits outstanding on or issued after October 16, 1975, that have an initial maturity of 4 years or more; 2½ percent of its time deposits outstanding on or issued after December 25, 1975, that have an initial maturity of 180 days or more but less than 4 years; 3 percent of its time deposits up to \$5 million, outstanding on or issued after October 16, 1975, that have an initial maturity of less than 180 days, plus 6 percent of such deposits in excess of \$5 million.

Provided, however, that in no event shall the reserves required on its aggregate amount of time and savings deposits be less than 3 percent. In addition, a member bank shall maintain a reserve balance equal to 2 percent of its time deposits of the following types:

- (a) Time deposits of \$100,000 or more;
- (b) Time deposits of \$100,000 or more represented by promissory notes, acknowledgements of advance, due bills, or similar obligations as provided in § 204.1(f); and
- (c) Time deposits represented by ineligible bankers' acceptances or obligations issued by a member bank's affiliate, as provided in § 204.1(f).

However, the supplementary 2 percent reserve requirement shall not apply to a savings deposit, or a time deposit, open account that constitutes deposits of individuals, such as Christmas club accounts and vacation club accounts, that are made under written contracts providing that no withdrawals shall be made until a certain number of periodic deposits have been made during a period of not less than 3 months.

(iii) \$49,725,000 plus 16¼ percent of its net demand deposits in excess of \$400 million.

(b) **Currency and coin.** The amount of a member bank's currency and coin shall be counted as reserves in determining compliance with the reserve requirements of paragraph (a) of this section.

(c) **Reserve percentages against certain deposits by foreign banking offices.** Deposits represented by promissory notes, acknowledgements of advance, due bills, or similar obligations described in § 204.1(f) to foreign offices of other banks,¹¹ or to institutions the time deposits of which are exempt from the rate limitations of Regulation Q pursuant to § 217.3(g) thereof, shall not be subject to paragraph (a) of this section or to § 204.3(a)(1) and (2); but during each week of the four-week period beginning May 22, 1975, and during each successive four-week ("maintenance") period, a member bank shall maintain with the Reserve Bank of its district a daily average balance equal to zero percent of the daily average amount of such deposits during the four-week computation period ending on the Wednesday 15 days before the beginning of the maintenance period. An excess or deficiency in reserves

in any week of a maintenance period under this paragraph shall be subject to § 204.3(a)(3), as if computed under § 204.3(a)(2), and deficiencies under this paragraph shall be subject to § 204.3(b).¹²

(d) **Foreign branch transactions with parent bank.** During each week of the four-week period beginning May 22, 1975, and during each week of each successive four-week ("maintenance") period, a member bank having one or more foreign branches shall maintain with the Reserve Bank of its district, a reserve against its foreign branch deposits, a daily average balance equal to zero percent of the daily average total of —

- (1) net balances due from its domestic offices to such branches, and
- (2) assets (including participations) held by such branches which were acquired from its domestic offices (other than assets representing credit extended to persons not residents of the United States), during the four-week computation period ending on the Wednesday 15 days before the beginning of the maintenance period.

(e) **Foreign branch credit extended to United States residents.** During each of the four-week periods beginning May 22, 1975, and during each week of each successive four-week maintenance period, a member bank having one or more foreign branches shall maintain with the Reserve Bank of its district, as a reserve against its foreign branch deposits, a daily average balance, equal to zero percent of the daily average credit outstanding from such branches to United States residents¹³ (other than assets acquired and net balances due from its domestic offices) during the four-week computation period ending on the Wednesday 15 days before the beginning of the maintenance period: **Provided,** that this paragraph does not apply to credit extended (1) in the aggregate amount of \$100,000 or less to any United States resident, (2) by a foreign branch which at no time during the computation period had credit outstanding to United States residents exceeded \$1 million, (3) to enable the borrower to comply with the requirements of the Office of Foreign Direct Investments, Department of Commerce,¹⁴ (4) under binding commitments entered into before May 17, 1973, or (5) to an institution that will be maintaining reserves on such credit under subsection (c) of this section or § 211.3(g) of Regulation K.

¹¹ Any banking office located outside the States of the United States and the District of Columbia of a bank organized under domestic or foreign law.

¹² The term "computation period" in § 204.3(a)(3) and (b) shall, for this purpose, be deemed to refer to each week of a maintenance period under this paragraph.

¹³ (a) Any individual residing at the time the credit is extended in any State of the United States or the District of Columbia; (b) any corporation, partnership, association or other entity organized therein of any other entity wherever organized. Credit extended to a foreign branch, office, subsidiary, affiliate or other foreign establishment ("foreign affiliate") controlled by one or more such domestic corporations will not be deemed to be credit extended to a United States resident if the proceeds will be used in its foreign business or that of other foreign affiliates of the controlling domestic corporation(s).

¹⁴ The branch may in good faith rely on the borrower's certification that the funds will be so used.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

FOREIGN ACTIVITIES OF NATIONAL BANKS

AMENDMENT TO REGULATION M†

Effective February 14, 1979, Section 213.7—**RESERVES AGAINST FOREIGN BRANCH DEPOSITS** is deleted. Provisions regarding reserve requirements for foreign branches of member

banks have been transferred to Regulation D—**RESERVES OF MEMBER BANKS**, Section 204.5(d) and (e).

†For this Regulation to be complete as amended effective February 14, 1979, retain:

- 1) Printed Regulation pamphlet containing Regulation M dated January 7, 1971;
- 2) Amendment effective August 25, 1975, Section 213.3(b)(6), (b)(7), and (b)(8); and
- 3) This slip sheet.

2-14-79