FEDERAL RESERVE BANK OF DALLAS
DALLAS, TEXAS 75222

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QUESTIONS AND ANSWERS ON THE MONETARY CONTROL ACT

TO ALL DEPOSITORY INSTITUTIONS
AND OTHERS CONCERNED IN THE
ELEVENTH FEDERAL RESERVE DISTRICT:

Printed on the following pages is the third in a series of questions and answers on implementation of the Monetary Control Act.

Sincerely yours,

Ernest T. Baughman

President

November 4, 1980

QUESTIONS AND ANSWERS CONCERNING REGULATION D, RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS

Prepared by the staff of the Board of Governors of the Federal Reserve System in conjunction with the staff of the Federal Reserve Bank of New York.

Nontransferability

12. Q. If a time or savings deposit is not evidenced by a certificate or passbook, may the nontransferability legend appear on a disclosure statement given to the depositor by the institution at the time of opening the account?

A. Yes, under such circumstances the nontransferability legend may appear in a disclosure statement required by Federal or State law or regulation that sets forth the terms of the deposit account.

13. Q. Personal savings and time accounts for which depositors receive only monthly statements rather than passbooks or certificates of deposit are required to include the legend concerning nontransferability on the periodic statement if no contract, agreement or disclosure statement required by law is given to the depositor carrying the nontransferability legend. Instead of placing the legend on the statement itself, may the legend appear in a separate piece of paper mailed to the depositor along with the monthly statement?

A. No, the nontransferability legend must appear on a document representing the account such as a certificate, passbook, contract, disclosure statement, or periodic statement. A separate piece of paper enclosed with the monthly statement would not be a document representing the account.

14. Q. An institution issues a monthly statement to its natural person depositor on which is reported the balance in a transaction account, as well as the balance in a personal savings or time deposit account. Need the statement have the nontransferability legend?

A. Yes, unless the depositor previously received a copy of the deposit contract or disclosure statement with the legend. If the statement indicates funds held in a personal savings or time deposit account, it must state that such account is nontransferable even though other types of accounts are also listed.

Transaction Accounts

10. Q. If under the terms of a savings account, a depositor appearing at the depository institution is permitted to withdraw funds in the form of a cashier's or officer's check, endorse the check and redeposit the funds in an account of another person at the same institution, would such an account be considered a transaction account?

    A. No. The ability of depositor to make withdrawals from an account by appearing at the institution in person does not render an account a transaction account regardless of the manner of payment of the withdrawal to the depositor. In this regard, an account would not be a transaction account merely because a depositor appearing in person at the institution can withdraw funds directly in the form of cash, check (even if made payable to a third party), money order, or travelers' checks. Note, however, that, if a depositor is able to transfer funds from his savings account through an ATM or RSU to another person's account at the institution, that savings account is a transaction account.

11. Q. Many institutions offer their depositors "prestige cards" which allow the depositors to withdraw funds from their savings accounts by filling out a withdrawal slip at another institution. This type of service is also known as "traveler's convenience." The institution disbursing the funds sends the withdrawal slip to the depositor's institution and obtains payment through the collection process. Does this service make the savings account a transaction account?

    A. No. The transaction is viewed simply as the depositor making a direct withdrawal from his savings account.

12. Q. A depositor with a savings account leaves a supply of deposit slips with the depository institution. The deposit slips are for a checking account held by the depositor at another depository institution. The depositor telephones the institution from time to time and requests that funds be withdrawn from his savings account in the form of a check and that the check, along with the deposit slip, be mailed or delivered to the institution holding his checking account. In some instances the depositor may have standing instructions with the institution to mail or deliver funds at certain intervals. Does this practice make that savings account a transaction account?

A. Yes. The capability of making such telephone or preauthorized transfers could render an account a transaction account since the transfer is made to a third party, i.e. the depository institution at which the checking account is maintained. However, if such transfers were limited to three or less per calendar month (and the account did not otherwise meet the definition of a transaction account) then the account would not be regarded as a transaction account.

13. Q. If a depository institution permits ACH debits to an account and does not limit the number of such debits by contract to three per calendar month, is the account regarded as a transaction account?

A. Yes. A depository institution must regard an account that may permit in excess of three ACH debits per month as a transaction account even though three or fewer transfers per calendar month actually are being made. Since ACH debits are regarded as preauthorized transfers, they must be limited to three or fewer per calendar month in order for the account not to be regarded as a transaction account.

14. Q. Regulation E--Electronic Funds Transfers (12 CFR Part 205) requires that amendments to certain account agreements cannot be effective unless the customer is given 21 days' written notice. If a depository institution desires to amend its account agreement to limit the number of preauthorized or telephone transfers to three or less per calendar month and the account is subject to the Regulation E notice requirement, when is the account agreement change effective for Regulation D reserve requirement purposes?

A. For purposes of reserve requirements, an amendment to an account agreement is regarded as effective when sent by the depository institution. Accordingly, an account for which a Regulation E change of terms notice has been sent may be regarded as exempt from the definition of "transaction account" even though more than three transfers could be effected during the interim period until the Regulation E notice becomes effective.

15. Q. Is notification to customers required if a depository institution desires to establish a limit on preauthorized and telephone transfers of three per calendar month?

A. As a general matter, the Board has had a long standing position that customers should be notified in writing of any change in the terms of a deposit account that is adverse to the customer (12 CFR 217.148). The necessity of notifying customers of a limit imposed on telephone and preauthorized transfers depends on a number of factors, including other regulatory requirements, such as Regulations E and Q and those imposed under state law. A depository institution that has not explicitly provided in its deposit agreement or other representations the right of its depositors to make withdrawals by telephone may not necessarily have to send notice to its customers that such service will be limited in the future. However, a depository institution that provides by written contract or agreement that telephone or preauthorized orders may be made would be required to notify each customer in writing of the change in terms. This notice, however, may be required by local law and disclosure requirements of other Federal and state regulatory requirements, not by Regulation D.

16. Q. If under the terms of an account, a depositor is not permitted to make more than three telephone or preauthorized transfers per calendar month, what steps must a depository institution take to prevent more than three transfers? Is a fourth transfer in a calendar month absolutely prohibited?

A. As stated in the Federal Register preamble to Regulation D, "A depository institution is required to establish a system or other procedure to insure that no more than three [telephone or preauthorized] transfers are made during any calendar month from such accounts." (45 Fed. Reg. 56009) The purpose to be served by a monitoring system is to establish that it is not the practice of the depository institution (12 CFR 204.2(e)(6)) to allow more than three telephone or preauthorized transfers, notwithstanding a deposit contract term to that effect. A system under which a depository institution can identify prior to making a requested transfer whether the limit is being adhered to would meet this requirement.

An institution also is permitted to monitor on an ex post basis its accounts that have limited telephone and preauthorized transfer privileges. Under this procedure, an institution may determine which accounts made more than three transfers in a particular month. If the institution contacts the customer and informs him that the

contract terms were violated and/or that the institution has other account services available if the customer desires an account for transaction purposes, this would indicate that it is not the practice of the institution to allow more than three transfers. Other factors that would be relevant in determining whether it is the practice of the institution to allow more than three telephone or preauthorized transfers per month under an ex post monitoring system would be the number of accounts that have restricted transfer privileges and the relative number that exceed the established limit.

It also is permissible for an institution to provide by contract that a fourth transfer in a calendar month will constitute an agreement by the customer to accept a new type of deposit account that allows unlimited telephone or preauthorized transfers. In this regard, a change in pricing in the new account may serve as a disincentive to customers making the fourth transfer. At the time the fourth transfer is made and into the future, the account would then be classified as a transaction account. (An institution may not establish an arrangement whereby a transaction account is converted to a nontransaction account because three or less transfers are made in a particular month.)

As an alternative approach to satisfy the three transfer per month rule, institutions may use a procedure of reclassifying as transaction accounts those accounts that incur more than three telephone or preauthorized transfers in a calendar month. Once an account is classified as a transaction account, then it may not revert to nontransaction account status.

Time Deposits (and Savings Deposits)

19. Q. A bearer certificate of deposit issued to a natural person prior to October 1, 1980, is exempt from reserve requirements on nonpersonal time deposits. The institutions have no record of the purchasers of these bearer CDs; a record of the owner is made only at maturity, when the holder obtains the interest on the CD and must record his identity for tax purposes. Is a depository institution required to regard the amount of all bearer CDs issued prior to October 1, 1980, as nonpersonal time deposits if they cannot show that they were issued to natural persons?

A. No. If bearer CDs have fixed maturities, depository institutions are permitted to estimate the distribution of such deposits between personal and nonpersonal by use of reasonable sampling techniques. Estimates may be based on past experience, current redemptions, or other reasonable inquiry.

For deposits issued on or after October 1, 1980, depository institutions are required to record the actual distribution between personal and nonpersonal time deposits. Of course, all transferable time deposits, including negotiable or bearer CDs, are nonpersonal time deposits regardless of to whom they are issued or who holds any beneficial interest in the deposit.

20. Q. Does an institution have to go through its entire mortgage portfolio in order to identify each mortgagor as individual or corporate for the purpose of separating its mortgage escrow account into two accounts, one personal and one nonpersonal?

A. In order to treat an escrow account as a personal savings account, all of the funds in the escrow account must be received from natural persons. Thus, if an institution has both individuals and corporations as mortgagors, the escrow account must be treated as nonpersonal unless a separation into two accounts is made and personal and nonpersonal funds are segregated.

21. Q. Escrow accounts may be treated as personal savings or time accounts if the entire beneficial interest in the funds is held by natural persons. Does this rule apply to tenant security deposits?

A. Yes. If all of the tenants whose security deposits are held in an account by a landlord are natural persons, that account may be treated as personal. If a landlord has both natural person and corporate or organizational tenants, the landlord could be asked to place the security deposits of natural persons in a separate account, and that account could be treated as personal.

22. Q. Depository institutions may accept the representations of trustees, executors, and escrow agents that the entire beneficial interest of funds in a time or savings account are natural persons in order to regard the account as personal. Must that representation be made in writing?

A. Yes. However, the representation may simply be noted on the signature card or other instrument evidencing the account that is signed by the trustee, executor or escrow agent.

23. Q. Are time deposits issued to the Bureau of Indian Afairs as custodian for an Indian tribe holding the entire beneficial interest in the funds personal or nonpersonal?

A. Such deposits are nonpersonal since an Indian tribe is considered to be an organization or association.

Bankers' Acceptances

1. Q. Has the determination of the maturity of eligible bankers' acceptances exempt from reserve requirements changed under revised Regulation D?

   A. Yes. Formerly any eligible bankers' acceptance having not more than six months' sight to run would not be exempt from reserve requirements until the remaining maturity was 90 days or less at the time of discount. Under revised Regulation D, all eligible bankers' acceptances described in paragraph 7 of section 13 of the Federal Reserve Act (12 U.S.C. § 372) having not more than six months' sight to run are exempt from reserve requirements.

Federal Funds and Other Exempt Borrowings

3. Q. Repurchase agreements on securities guaranteed as to principal and interest by the U. S. Government or an agency thereof ("RP") are exempt from reserve requirements as are direct borrowings from the U. S. Government or an agency thereof. Are Ginnie Mae (Government National Mortgage Association), Fannie Mae (Federal National Mortgage Association), Freddie Mac (Federal Home Loan Mortgage Corporaton), and Sallie Mae (Student Loan Marketing Association) agencies of the U. S. Government?

A. Yes. A list of obligations which the Federal Reserve considers to be U. S. Government and agency securities for purposes of the RP exception may be found at the Board's Published Interpretations ¶ 925 (12 CFR § 201.108). Ginnie Mae, Fannie Mae, and Freddie Mac are on that list. Sallie Mae is also a Government agency for this purpose.

In addition, direct borrowings in the form of promissory notes or other similar instruments in the name of the U. S. Government or an agency thereof are excluded from the definition of deposits and, thus, are exempt from reserves. Such exemption applies to borrowings that are in the name of departments of the U. S. Government such as the Bureau of Indian Affairs. However, liabilities that are booked as deposits by the institution are regarded as deposits because they are not "borrowings."

4. Q. The permissible collateral for outstanding due bills consists of securities of similar type and comparable maturity to the security underlying the due bill. What is considered to be comparable maturity for this purpose?

A. All Treasury bills may be treated as being of comparable maturity to each other because they are issued in original maturities of one year or less. Obligations that have maturities within a range of time that is normally referred to as a common group may be substituted for each other. In this regard, obligations that are referred to as "long term," for example, may be substituted for each other even though they might have maturities that vary by as much as 10 years. This may be determined by common usage in the market place. Shorter term securities would have a narrower time range for the purpose of determining comparability of maturity. In determining the maturity comparability of two securities, maturity may be determined on the basis of the time remaining to maturity of a particular obligation.

Calculations and Reporting

2. Revised 11/4/80 (additions are underlined).

Q. How are time deposit ratios for old reserve requirements to be calculated for member banks (and former member banks) that are involved in mergers subsequent to August 6, 1980?

A. The time deposit ratios for a combination of member banks (or former member banks) will be calculated as a weighted average of the individual ratios. The weights are to be based on the daily average amount of time deposits for each of the institutions involved over the reserve computation period immediately preceding the merger.

For example, suppose that two member banks that had total time deposits of $15 million and $35 million and ratios of .0325 and .0340, respectively, merge. The required reserve ratio on time deposits for the merged bank would be (0.0325 x (15/50)) + (0.0340 x (35/50)) = 0.03355.

3. Revised 11/4/80 (additions are underlined).

Q. What is the definition of total deposits to be used to determine whether quarterly reporters have reached $15 million?

A. Gross deposits, the sum of items 7, 12, and 15 on the FR 2900, will be used to determine the continuing eligibility of quarterly reporters as set forth in section 204.3(d)(3).

4. Revised 11/4/80 (additions are underlined).

Q. For de novo institutions, how will the amount of total deposits be determined for purposes of quarterly reporting?

A. All de novo nonmember institutions organized after December 31, 1979, will be considered to be under $15 million in total deposits and therefore eligible for quarterly reporting. All such institutions will be required to report in January 1981, along with all quarterly reporters. In order that those de novo nonmember institutions whose total deposits are less than $2 million would not have to complete the entire deposits report for a week, we will try to work out an alternate reporting scheme for those institutions. Those de novo nonmember institutions that have less than $2 million in daily average gross deposits at that time will have reporting and reserve requirements deferred until May 1981. Other de novo nonmember institutions will continue to report quarterly until such time as daily average gross deposits are $15 million or above for two consecutive quarterly reporting periods, at which time they would become weekly reporters.

De novo member banks organized after December 31, 1979, and before September 1, 1980, would already be reporting weekly on the Report of Deposits and will continue reporting weekly until January 1981. De novo member banks organized between September 1, 1980, and October 30, 1980, will begin reporting weekly as of October 30, 1980, and continue reporting weekly until January 1981. De novo member banks organized after October 30, 1980, will begin reporting weekly as of the date of organization and will continue reporting weekly until January 1981. Those de novo member banks that have daily average gross deposits of less than $15 million as of the first reporting period in January 1980, may begin reporting quarterly at that time; those that have daily average gross deposits of $15 million or more must continue to report weekly.

8. Q. Many banks receive payments from other banks with unclear information as to whom the funds should be credited. The practice of many institutions is to credit those funds to a suspense account. The funds remain in that account until the institution determines the party to whom the funds are to be credited or transmitted. This process for each such payment may take several days or weeks. During that time, how must an institution report that suspense account for reserve purposes? Many foreign banks find that 90 per cent of payments made to them are to be credited to their parent's account, and thus most of these funds should have been subject to Eurocurrency, rather than domestic, reserves during that period.

A. Institutions must regard the entire amount of funds in suspense accounts each day as transaction accounts (to be reported as other demand deposits in Item 3 of the FR 2900) unless they determine from their past experience that a percentage of such funds usually are to be treated otherwise. For example, if a United States branch of a foreign bank finds that 90 per cent of the funds placed in a suspense account normally go to its parent, it may treat 90 per cent of its suspense account each day as a balance due to its parent subject to the Eurocurrency reserve requirement and 10 per cent as a transaction account.

9. Q. The instructions to FR 2900 indicate that a bona fide cash management arrangement must be evidenced by a prior written agreement between the reporting depository institution and the customer authorizing transfers between transaction accounts of the customer. Does this mean that there must actually be a reduction on the books of the institution in order to reduce the balance by the overdraft amount for purposes of reserves?

A. An actual transfer on the books of the institution is not necessarily required. Bona fide cash management purposes can be demonstrated in a number of situations. The fact that a depository institution has the ability to offset an overdraft with funds in another account is sufficient to serve the purposes of Regulation D.

10. Q. How are "loans in process" to be treated for purposes of reporting on the FR 2900?

A. "Loans in process" arise in at least two different contexts.

(1) Where a depository institution issues a cashier's check representing mortgage or other loan proceeds and delivers the check to a settlement agent in advance of the loan closing, the cashier's check represents a demand deposit and the amount of the check is reservable from time of issuance as a transaction account.

(2) Thrift institutions commonly have a liability "contra" account entitled "loans in process" that represents unadvanced portions of construction loan commitments. Such commitments are contingent liabilities of the depository institution and are not subject to reserves. When a portion of the loan commitment is advanced, a reservable liability would be created if disbursement were made by issuance of an officer's check or by credit to a deposit account.

11. Q. A depository institution ("seller") sells money orders on consignment from a second depository institution ("issuer"). Funds are not remitted to the issuer until it notifies the seller that the money orders have been received for payment and the funds are then remitted by the seller. How are the funds representing the proceeds of the money order sale to be reported?

A. The money order proceeds are a deposit of the selling institution until remitted to the issuer. If the issuer is a depository institution, then the unremitted amount held by the seller represents a balance due to a depository institution.

12. Q. The instructions to Form FR 2900 for credit unions provides under "Record-keeping":

"Note: If, according to your standard accounting practices, closing balances for accounts reported on this report are not available on a daily basis, you may report the same closing balance for subsequent days provided that your closing balances for these accounts are updated at least once a week. For example, a credit union that uses a weekly batch system may have closing balances only as of each Friday. In this case, the balances for the preceding Friday should be reported for Thursday of the current computation week; the balances for Friday of the current computation week should be reported not only for Friday but also for the following Saturday, Sunday, Monday, Tuesday, and Wednesday, and for the first Thursday of the next computation period."

Does this reporting principle apply to other similarly situated depository institutions?

A. Yes. If a depository institution posts its general ledger daily or generates a daily balance sheet, then all amounts reported for reserve requirements purposes on the FR 2900 must be updated daily. However, as indicated above, if it is the accepted accounting practice and standard for a particular segment of the industry to post the general ledger less frequently than daily, then weekly updating is permitted.

13. Q. Are depository institutions that have zero reserve requirements required to report deposit and other data to the Federal Reserve?

A. Yes. All depository institutions, including "bankers' banks," are required to submit data on Form FR 2900 in accordance with Regulation D.

Eligible Reserve Assets

Vault Cash

4. Q. Coin and currency must be in the possession of the reporting institution, subject to the in-transit exception, in order to be treated as vault cash. Is currency and coin considered to be in an institution's possession if placed in a vault on the premises of another institution that is rented by the reporting institution?

   A. Yes, so long as (1) the reporting institution has full rights of ownership of the coin and currency, (2) the reporting institution has full rights to obtain the coin and currency immediately in order to satisfy customer demands (and accordingly must be reasonably nearby), and (3) the institution from which the vault is rented does not include that coin and currency as its own vault cash.

Balances Due To/Due From Depository Institutions

7. Q. Is the Investment Credit Union ("ICU") a depository institution?

A. ICU is a pooled investment account for credit unions that invests solely in U. S. Government securities. Funds placed in ICU by a credit union are not balances due from a depository institution and may not be included as balances due from depository institutions in Item 8 of the FR 2900.

8. Q. Are balances due to bankers' banks such as Savings Banks Trust Company and balances due to private banks to be reported in Item 1.a. of the FR 2900?

A. Yes. Savings Banks Trust Company should be treated as a bank. Balances due to private banks that are not depository institutions are to be reported as bank demand accounts in Item 1.a. Balances due from Savings Banks Trust Company, but not from private banks, are to be included in Item 8.

9. Q. What is the proper classification of funds received by a depository institution representing payments for loans that the institution is servicing for others?

A. Funds received by a depository institution in connection with servicing of loans for others represent deposits. Where the loan is owned by another depository institution, such funds represent a balance due to another depository institution until remitted. Loan repayments received by an institution for loans that it owns represent reductions in an asset account and do not give rise to reserves notwithstanding that such payments are carried temporarily in a liability account pending proper posting to the loan accounts.

10. Q. The actual balance in a reporting institution's demand account at another institution usually will be greater than the amount shown on the reporting institution's books in its due-from entry. This occurs because the reporting institution will write down the due-from account on its books for checks and drafts that have not yet been paid by the institution holding the account. In reporting the total amount of balances due from depository institutions, must an institution report its book amount, or may it report the amount shown each day at the other institution as balances due to the reporting institution?

A. The reporting institution must use its book amount as balances due from depository institutions for purposes of Item 8. The reporting institution will have written down a liability account for the check that it has issued, and, because that liability account is likely to be a reservable deposit account, it has already obtained a reduction in reserves on the transaction. To permit a deduction for that amount would permit an unwarranted double deduction for the amount of the check.

11. Q. What is the proper treatment of a check drawn by a depository institution on a zero balance account at a correspondent?

A. If a credit union, savings and loan association or other depository institution draws checks on a zero balance account at a correspondent bank and remits funds when advised that the checks have been presented, then the amount of the checks represent an amount due to another depository institution. Although Regulation D (12 CFR 204.2(b)(2)) provides that a check or draft drawn by a depository institution on another depository institution are not demand deposits, such rule applies only where the check or draft is drawn against a positive balance at another institution and would properly represent a reduction in an asset account. In the case of checks drawn on a zero balance account, a depository institution is regarded as having issued a reservable liability.

Eurocurrency Liabilities

3. Q. Are direct borrowings from foreign corporations regarded as Eurocurrency liabilities?

   A. Direct borrowings from foreign and domestic corporations that are not depository institutions are liabilities subject to reserve requirements but are not Eurocurrency liabilities. They are nonpersonal time deposits if their maturity is 14 days or more. They are demand deposits and reported as transaction accounts if their maturity is less than 14 days. The exemption for Federal funds and Eurocurrency borrowings cover borrowings from banks and depository institutions.

4. Q. If a foreign bank issues commercial paper in the United States and the bank's United States branch or agency borrows the proceeds from the bank's head office, are those funds subject to reserves at the domestic ratios?

   A. No. Commercial paper issued in the United States by a foreign bank's head office is not subject to Federal reserve requirements. However, when the proceeds of the sale are channeled to the United States branch or agency, the proceeds become subject to Eurocurrency reserve requirements as an advance from the foreign bank's head office.

5. Q. Are balances due from a Federal Reserve Bank to be subtracted from total assets in calculating a foreign bank's United States office's capital equivalency deduction?

   A. No.

6. Q. The calculation by foreign banks of their capital equivalency deduction requires that the definition of total assets correspond to the definition on their quarterly call report (FFIEC 002). (However, the amount of total assets will, in many cases, need to be adjusted to take into account the different definitions of "related" institutions on the two reports.) In order to calculate total assets in Schedule A of that report, unearned income on loans is to be subtracted. Many foreign banks do not calculate unearned income on loans each day; rather they calculate it only monthly or quarterly. Must such foreign banks calculate this figure daily?

A. No. Foreign banks may use the most recently available figure on a consistent basis.

7. Q. Eurocurrency liabilities include borrowings from "non-United States offices" of the reporting domestic institution. Do "non-United States offices" include foreign offices of a nonbank corporation that is an affiliate of the reporting institution?

A. No. "Non-United States offices" in this context means only foreign offices of the foreign bank operating the U. S. agency or branch. Affiliates are separate corporate entities, and their foreign offices are not foreign offices of the foreign bank itself. Borrowings from foreign offices of affiliated depository institutions are reported together with borrowings from other foreign depository institutions in Column 1 of the FR 2950. Borrowings from foreign offices of affiliated nonbank corporations are treated as deposits and are subject to domestic reserve requirements as demand or time deposits depending on maturity; if the borrowing is a demand deposit (because the maturity is less than 14 days), then Regulation Q and Part 329 of the FDIC's regulations prohibit the payment of interest on the borrowing.

8. Q. A depository institution has separate demand accounts for each of several foreign branches of a single unrelated foreign bank. May amounts due to some of the branches be "netted" against amounts due from other branches for computing amounts due to banks?

A. No, unless the separate accounts of the foreign institution serve a bona fide cash management function and if netting is permitted under the law(s) of the country or countries in which the branches are located.

9. Q. Many depository institutions and foreign bank branches and agencies have on their books liabilities owing to Iranian entities that have been frozen pursuant to Presidential Order since November 1979. Many of these liabilities were short-term Eurocurrency borrowings, and the original maturity date has long since been passed; payment of the obligation is prevented by the freeze. For purposes of reserve requirements, may such Eurocurrency liabilities continue to be treated as a Eurocurrency borrowing even though the maturity date of the obligation has passed?

A. Yes. Institutions should also note that demand deposits payable to Iranian entities frozen under the Order continue to be demand deposits despite the effect of the Order. Institutions may transfer frozen demand deposit funds into time deposits on their books so long as they will pay some interest on those funds after the transfer.