

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 81-143
July 15, 1981

REGULATIONS D AND Q

Amendments

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

The Board of Governors of the Federal Reserve System has amended its Regulation D (Reserve Requirements of Depository Institutions) and Regulation Q (Interest on Deposits) to authorize the establishment in the United States of international banking facilities (IBF's) by U.S. depository institutions, Edge and Agreement Corporations, and branches and agencies of foreign banks located in the United States beginning December 3, 1981.

Enclosed are copies of the Board's press release dated June 18, 1981, and the material submitted for publication in the Federal Register. These pages more fully explain the Board's action. A copy of the amendment will be mailed to you as soon as it is received in this Bank.

Any questions regarding Regulations D and Q should be directed to this Bank to Richard Ingram, Ext. 6333, and Dean Pankonien, Ext. 6662, respectively.

Sincerely yours,



William H. Wallace
First Vice President

Enclosure

Banks and others are encouraged to use the following incoming WATS numbers in contacting this Bank: 1-800-442-7140 (intrastate) and 1-800-527-9200 (interstate). For calls placed locally, please use 651 plus the extension referred to above.

FEDERAL RESERVE press release



For immediate release

June 18, 1981

The Federal Reserve Board has amended its regulations regarding reserve requirements and payment of interest on deposits to permit the establishment of International Banking Facilities (IBFs) in the United States.

The Board acted after consideration of comment received on its December proposal to revise its regulations to permit the establishment of IBFs.

IBFs may be established, subject to conditions specified by the Board, by United States depository institutions, by Edge and Agreement Corporations^{1/} and by United States branches and agencies of foreign banks.

In general, under the rules adopted by the Board, an IBF may accept deposits from and extend credit to foreign residents or other IBFs. All such funds will be exempt from reserve requirements of Regulation D and from interest rate limitations of Regulation Q. The Board believes that establishment of IBFs at U.S. banking offices will enhance the international competitive position of banking institutions in the United States.

The Board made its action effective December 3, 1981, in order to give all interested banking institutions time to make necessary arrangements for implementation of IBFs.

In amending its regulations respecting reserve requirements and interest rate ceilings to permit the establishment of IBFs, the Board made a general statement of policy regarding the use of IBF deposits and IBF loans.

^{1/} Domestically chartered corporations authorized to engage in international or foreign banking, or other international or foreign operations.

The policy statement, which is contained in the attached notice to the Board's action, said in part:

The Board expects that, with respect to nonbank customers located outside the United States, IBFs will accept only deposits that support the customer's operations outside the United States and will extend credit only to finance the customer's non-U.S. operations. Deposits should not be used as a means of circumventing interest rate restrictions or reserve requirements....

This policy, the Board specified, must be communicated in writing to all IBF nonbank customers when a credit or deposit relationship is first established, and the Board supplied a model statement that could be used for this purpose. In addition, IBFs are required to obtain acknowledgement of receipt of such notice from nonbank customers that are foreign affiliates of United States residents whenever a deposit or credit relationship is first established with an IBF. The Board also supplied a model statement for their acknowledgement.

Under the rules established by the Board, IBFs may, free of Federal reserve requirements or interest rate limitations:

1. Offer to foreign nonbank residents time deposits with a minimum maturity, or required notice period prior to withdrawal, of two business days. Such deposit accounts require minimum deposits and withdrawals of \$100,000.
2. Offer time deposits to foreign offices of United States depository institutions or foreign banks, to other IBFs or to the parent institution of an IBF with a minimum one day (overnight) maturity.
3. Extend credit to foreign residents (including banks), to other IBFs, or to the parent institution of an IBF.

IBF loans and deposits may be denominated either in United States dollars or in foreign currencies.

Advances by an IBF to United States offices of its parent institution will be subject to the reserve requirement on Eurocurrency liabilities of the United States office in the same manner as advances from a foreign office to its United States office.

IBFs will be subject to the same examination and supervisory procedures as apply to other operations of its parent institution. The Board may require special reports from IBFs for monitoring monetary and credit conditions and for other purposes.

The Board's order is attached.

FEDERAL RESERVE SYSTEM**12 CFR Parts 204, 217****[Docket No. R-0214; Regulations D and Q]****International Banking Facilities;
Reserve Requirements of Depository
Institutions and Interest on Deposits****AGENCY:** Board of Governors of the
Federal Reserve System.**ACTION:** Final rules.

SUMMARY: The Board of Governors has amended Regulation D—Reserve Requirements of Depository Institutions (12 CFR Part 204) and Regulation Q—Interest on Deposits (12 CFR Part 217) to authorize beginning December 3, 1981, the establishment in the United States of international banking facilities ("IBFs") by U.S. depository institutions, Edge and Agreement Corporations, and branches and agencies of foreign banks located in the United States. Under the rules adopted by the Board, an IBF may accept deposits from foreign residents (including banks) or from other IBFs. Such funds will be exempt from reserve requirements of Regulation D and from interest rate limitations of Regulation Q. IBFs will be permitted to offer to foreign nonbank residents large denomination time deposits with a minimum maturity or required notice period prior to withdrawal of at least two business days. In addition, IBFs will be permitted to offer overnight time deposits to foreign offices of U.S. depository institutions or foreign banks, to other IBFs, foreign control banks, or to the institution establishing the IBF. Funds raised by an IBF could be used only to extend credit to foreign residents, to other IBFs, or to the institution establishing the IBF. Funds derived by

an institution from its own IBF would be subject to Eurocurrency reserve requirements. The Board believes that the establishment of IBFs at U.S. banking offices will enhance the international competitive position of banking institutions located in the United States.

EFFECTIVE DATE: December 3, 1981.

FOR FURTHER INFORMATION CONTACT:

Gilbert T. Schwartz, Associate General Counsel (202/452-3625), Paul S. Pilecki, Senior Attorney (202/452-3281), or Paige Winebarger, Attorney (202/452-3285), Legal Division; or Allen B. Frankel, Senior Economist (202/452-3578), or Sydney J. Key, Economist (202/452-3522), Division of International Finance, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

SUPPLEMENTARY INFORMATION: On December 16, 1980, the Board requested public comment (45 FR 84070) on a proposal to amend Regulation D—Reserve Requirements of Depository Institutions (12 CFR Part 204) and Regulation Q—Interest on Deposits (12 CFR Part 217) that would facilitate the establishment in the United States of international banking facilities ("IBFs") by depository and other institutions to promote international banking activity in the United States.

Under the proposal, IBFs at all U.S. depository institutions, Edge and Agreement Corporations, and U.S. branches and agencies of foreign banks would be permitted to accept time deposits from foreign residents and to borrow from foreign banks or other IBFs. Such funds would be exempt from reserve requirements of Regulation D and from interest rate limitations of Regulation Q.¹ Funds raised by an IBF could be used only to extend credit to foreign residents, to other IBFs, or to the institution establishing the IBF. Funds obtained by an institution from its own IBF would be subject to Eurocurrency reserve requirements.

The period for public comment on the IBF proposal ended on March 16, 1981. Comments were received from 79 respondents, primarily banking institutions and trade associations. In general, commentators were in favor of the concept of IBFs. However, many suggested a number of technical modifications, and a significant number indicated that they would favor

¹ Regulation Q applies to member banks, to Edge and Agreement Corporations and to the following U.S. offices of parent foreign banks having total worldwide consolidated bank assets in excess of \$1 billion: insured and uninsured Federal branches, uninsured state branches, and Federal and state agencies.

adoption of the proposal only in conjunction with other changes in the regulatory and competitive environment under which IBFs would operate. After consideration of the comments received from the public, the Board has adopted the proposal with certain modifications, as indicated below, effective December 3, 1981.

General Policy Regarding Activities of IBFs

The Board believes that authorization of IBFs will enhance the competitive position of U.S. offices of depository institutions and Edge and Agreement Corporations, and of U.S. branches and agencies of foreign banks. The Board expects that, with respect to nonbank customers located outside the United States, IBFs will accept only deposits that support the customer's operations outside the United States and will extend credit only to finance the customer's non-U.S. operations. Deposits should not be used as a means of circumventing interest rate restrictions or reserve requirements applicable to U.S. depository institutions, Edge or Agreement Corporations and U.S. branches and agencies of foreign banks. This policy is required to be communicated in writing to an IBF nonbank customer at the time a loan or deposit account relationship is first established. Furthermore, nonbank foreign affiliates of U.S. residents will be required to acknowledge in writing receipt of such notice.

The following model statement could be used by IBFs to advise their nonbank deposit and loan customers of the Board's policy:

It is the policy of the Board of Governors of the Federal Reserve System that, with respect to nonbank customers, deposits received by international banking facilities may be used only to support the non-U.S. operations of a depositor (or its foreign affiliates) located outside the United States and that extensions of credit by international banking facilities may be used only to finance the non-U.S. operations of a customer (or its foreign affiliates) located outside the U.S.

The following model statement could be used by IBFs to obtain an acknowledgment of receipt of such notice upon the opening of a deposit or loan relationship from nonbank customers that are foreign affiliates of U.S. residents. (A loan relationship may be established either by opening a line of credit or by granting a loan other than under a line of credit.)

_____, a nonbank entity located outside the U.S., understands that it is the policy of the Board of Governors of the Federal Reserve System that deposits received by international banking facilities

may be used only to support the non-U.S. operations of a depositor (or its foreign affiliates) located outside the United States and that extensions of credit by international banking facilities may be used only to finance the non-U.S. operations of a customer (or its foreign affiliates) located outside the U.S.

_____, acknowledges that funds it deposits with the IBF of _____ will be used solely in support of its non-U.S. operations, or that of its foreign affiliates, and that the proceeds of its borrowings from the IBF will be used solely to finance its operations outside the United States, or that of its foreign affiliates.

Establishing an IBF

An institution is not required to establish a separate organizational structure for an IBF. It is contemplated that an IBF would be operated primarily as a recordkeeping entity similar to an offshore shell branch. An institution may establish one IBF for each reporting entity that submits a separate Report of Transaction Accounts, Other Deposits and Vault Cash (Form FR 2900). An IBF may be established initially by identifying and segregating existing assets and liabilities that qualify under the definitions in Regulations D and Q and under other regulatory provisions applicable to IBFs. These assets may be transferred to the IBF on a reserve-free basis only during the first four reserve computation periods after the institution has established the IBF.² An institution is required to maintain segregated accounts for its IBFs within the office in which the IBF is located, report its IBF assets and liabilities as required by the Board, and comply with any other requirements established by the Board for IBFs. Failure to comply with the Board's restrictions on the type of business IBFs may engage in could result in the imposition of reserve requirements on the IBF, subjecting the IBF's deposits to the interest rate restrictions of Regulation Q, or revocation of the institution's authority to maintain an IBF.

An institution that desires to establish an IBF will be required to notify the Federal Reserve Bank in its district at least 14 days prior to the first reserve computation period during which it intends to begin accepting IBF deposits and to agree to abide by the conditions established by the Board for conducting

² For assets held by an institution prior to its establishment of an IBF that are transferred to the IBF within such four-week period, an IBF is not required to provide such customers with notice of the Board's policy concerning IBFs or to obtain acknowledgment thereof. However, an IBF is required to provide such notice and obtain such acknowledgment (if required) upon any subsequent extension of credit to such customer.

an IBF business. Application to or approval by the Board is not required to establish an IBF. However, an institution is subject to any restrictions established by its chartering or licensing authority, or by its primary supervisor concerning the types of activities in which an IBF may be engaged.

Permissible IBF Deposits

As a general matter, an IBF will be permitted to accept deposits only from non-United States residents. Such deposits will be subject to special rules, discussed in greater detail below, permitting shorter minimum maturities than applicable to other types of time deposits under Regulation Q but requiring deposits and withdrawals to be made in amounts of at least \$100,000. An IBF also will be permitted to obtain funds from foreign offices of other U.S. depository institutions or foreign banks, from other IBFs, and from the United States and non-United States operations of the same institution. IBF time deposits may be in the form of deposits, borrowings, placements, or other similar instruments. Such IBF liabilities will not be subject to Federal Reserve interest rate limitations and will be exempt from Federal Reserve requirements.

Restrictions on eligible holders of IBF deposits. As discussed above, only non-United States residents, including foreign affiliates of United States entities, other IBFs, and the institution operating the IBF will be eligible to maintain time deposits in IBFs. In order to help insure that IBF deposits are restricted to non-United States residents, IBFs will be prohibited from issuing negotiable certificates of deposit, bankers' acceptances, or other negotiable or bearer instruments.

Maturity of IBF time deposits. An IBF will be permitted to obtain funds from any office located outside the United States of another U.S. depository institution, foreign bank, or Edge or Agreement Corporation, from other IBFs, from foreign central banks and official institutions, as well as from the foreign branches and domestic operations of the depository institution establishing the IBF. The maturity of such obligations may be on an overnight basis. IBF time deposits of nonbank foreign residents will be subject to a minimum maturity or required notice period prior to withdrawal of two business days. Notice of withdrawal may be given on the date of deposit or any business day thereafter, but may not be given to the date of deposit. Fixed maturity IBF time deposits may be automatically renewable. In addition, such accounts may be established to provide for both a fixed maturity and a notice period.

An IBF will not be permitted to accept transaction accounts, since an IBF is not intended to enable foreign customers to maintain such accounts at U.S. offices exempt from reserve requirements.

Minimum size of transactions. The Board believes that IBFs should be established primarily to engage in a wholesale international banking business and, therefore, proposed that the minimum amount of any deposit or withdrawal to or from an IBF account would be \$500,000. As an alternative, the Board requested public comment on whether to authorize an IBF to offer time deposit accounts that require a minimum daily average balance of \$500,000 and a minimum amount of \$100,000 for deposit or withdrawal transactions. Comments received from the public indicated that the \$500,000 minimum transaction amount could restrict the ability of some institutions that currently engage in international banking activity from conducting an IBF business, and that the requirement of a minimum daily average balance would be operationally burdensome.

In view of the comments received, the Board has determined to require minimum deposits and withdrawals from IBF time deposits of nonbanks of \$100,000. No minimum daily average balance is required. A withdrawal of less than \$100,000 is permitted if such transaction is made to close out a deposit account. The Board believes that the lower limitation will enable more institutions to operate IBFs while at the time same preserving the wholesale nature of IBF business. IBF time deposits of bank customers will not be subject to any minimum transaction amount.

Permissible IBF Assets

An IBF will be permitted to extend credit to foreign customers, to other IBFs, or to U.S. and non-U.S. offices of the depository institution establishing the IBF. Advances to U.S. offices of the IBF's parent institution will be subject to the reserve requirement on Eurocurrency liabilities in the same manner as advances from a foreign office to its U.S. office. IBF credit may be extended in the form of a loan, deposit, placement, advance, security or other similar asset. Under the Board's actions, credit may be extended to nonbank foreign residents provided that the funds are used in their operations outside the United States.

Foreign Currency Operations of IBFs

The Board believes that the conduct of international banking business in the United States will be facilitated by allowing IBFs to accept deposits and make loans in currencies other than U.S. dollars.

Other Activities of IBFs

Except as indicated above, the Board is not limiting the activities in which an IBF may engage. Consequently, if authorized by the institution's chartering or licensing authority and supervisor, an IBF could engage in activities such as providing fiduciary services.

Supervision and Reporting Requirements

IBF operations of a depository institution will be subject to the same examination and supervision procedures that apply to the other operations of the institution. It is expected that supervisory review of IBFs will be conducted in conjunction with examination of other operations of the institution establishing the IBF. However, the Board may require the establishing institution to submit reports on the activities of its IBF for purposes of monitoring monetary and credit conditions as well as for other purposes.

Beginning Date of IBF Operations

The amendments to Regulations D and Q are effective for the reserve computation period beginning December 3, 1981, and the corresponding reserve maintenance period beginning December 17, 1981.

Effective December 3, 1981, pursuant to the Board's authority under sections 19, 25, and 25(a) of the Federal Reserve Act (12 U.S.C. 481 *et seq.*, 601 *et seq.*, 611 *et seq.*) and section 7 of the International Banking Act of 1978 (12 U.S.C. 3105), Regulation D (12 CFR Part 204) and Regulation Q (12 CFR Part 217), are amended as follows:

PART 204—RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS

1. In § 204.2 of Regulation D (12 CFR Part 204), paragraph (h) is revised to read as follows:

§ 204.2 Definitions.

(h) "Eurocurrency liabilities" means:

(1) For a depository institution or an Edge or Agreement Corporation organized under the laws of the United States, the sum, if positive, of the following:

(i) Net balances due to its non-United States offices and its international banking facilities ("IBFs") from its United States offices;

(ii)(A) For a depository institution organized under the laws of the United States, assets (including participations) acquired from its United States offices and held by its non-United States offices, by its IBF, or by non-United

States offices of an affiliated Edge or Agreement Corporation;¹ or

(B) For an Edge or Agreement Corporation, assets (including participations) acquired from its United States offices and held by its non-United States offices, by its IBF, by non-United States offices of its U.S. or foreign parent institution, or by non-United States offices of an affiliated Edge or Agreement Corporation;¹ and

(iii) Credit outstanding from its non-United States offices to United States residents (other than assets acquired and net balances due from its United States offices), except credit extended (A) from its non-United States offices in the aggregate amount of \$100,000 or less to any United States resident, (B) by a non-United States office that at no time during the computation period had credit outstanding to United States residents exceeding \$1 million, (C) to an international banking facility, or (D) to an institution that will be maintaining reserves on such credit pursuant to this Part. Credit extended from non-United States offices or from IBFs to a foreign branch, office, subsidiary, affiliate of other foreign establishment ("foreign affiliate") controlled by one or more domestic corporations is not regarded as credit extended to a United States resident if the proceeds will be used to finance the operations outside the United States of the borrower or of other foreign affiliates of the controlling domestic corporation(s).

(2) For a United States branch or agency of a foreign bank, the sum, if positive, of the following:

(i) Net balances due to its foreign bank (including offices thereof located outside the United States) and its international banking facility after deducting an amount equal to 8 per cent of the following: the United States branch's or agency's total assets less the sum of (A) cash items in process of collection; (B) unposted debits; (C) demand balances due from depository institutions organized under the laws of the United States and from other foreign banks; (D) balances due from foreign central banks; and (E) positive net balances due from its IBF, its foreign bank, and the foreign bank's United States and non-United States offices; and

(ii) Assets (including participations) acquired from the United States branch or agency (other than assets required to be sold by Federal or State supervisory authorities) and held by its foreign bank

¹This subparagraph does not apply to assets (1) that were acquired before October 7, 1979, or (2) that were acquired by an IBF from its establishing entity before the end of the fourth reserve computation period after its establishment.

(including offices thereof located outside the United States), by its parent holding company, by non-United States offices or an IBF of an affiliated Edge or Agreement Corporation, or by its IBFs.¹

2. In § 204.2(t), footnote 1 is redesignated as footnote 2.

§ 204.8 [Redesignated as § 204.9]

3. Section 204.8 is redesignated § 204.9.

4. By adding a new § 204.8, as follows:

§ 204.8 International banking facilities.

(a) *Definitions.* For purposes of this Part, the following definitions apply:

(1) "International banking facility" or "IBF" means a set of asset and liability accounts segregated on the books and records of a depository institution, United States branch or agency of a foreign bank, or an Edge or Agreement Corporation that includes only international banking facility time deposits and international banking facility extensions of credit.

(2) "International banking facility time deposit" or "IBF time deposit" means a deposit, placement, borrowing or similar obligation represented by a promissory note, acknowledgment of advance, or similar instrument that is not issued in negotiable or bearer form, and

(i) (A) That must remain on deposit at the IBF at least overnight; and

(B) That is issued to

(1) Any office located outside the United States of another depository institution organized under the laws of the United States or of an Edge or Agreement Corporation;

(2) Any office located outside the United States of a foreign bank;

(3) A United States office or a non-United States office of the entity establishing the IBF;

(4) Another IBF; or

(5) An institution whose time deposits are exempt from interest rate limitations under section 217.3(g) of Regulation Q (12 CFR 217.3(g)); or

(ii) (A) That is payable

(1) On a specified date not less than two business days after the date of deposit;

(2) Upon expiration of a specified period of time not less than two business days after the date of deposit; or

(3) Upon written notice that actually is required to be given by the depositor not less than two business days prior to the date of withdrawal;

(B) That represents funds deposited to the credit of a non-United States resident or a foreign branch, office, subsidiary, affiliate, or other foreign establishment ("foreign affiliate")

controlled by one or more domestic corporations provided that such funds are used only to support the operations outside the United States of the depositor or of its affiliates located outside the United States; and

(C) That is maintained under an agreement or arrangement under which no deposit or withdrawal of less than \$100,000 is permitted, except that a withdrawal of less than \$100,000 is permitted if such withdrawal closes an account.

(3) "International banking facility extension of credit" or "IBF loan" means any transaction where an IBF supplies funds by making a loan, or placing funds in a deposit account. Such transactions may be represented by a promissory note, security, acknowledgment of advance, due bill, repurchase agreement, or any other form of credit transaction. Such credit may be extended only to:

(i) Any office located outside the United States of another depository institution organized under the laws of the United States or of an Edge or Agreement Corporation;

(ii) Any office located outside the United States of a foreign bank;

(iii) A United States or a non-United States office of the institution establishing the IBF;

(iv) Another IBF;

(v) An institution whose time deposits are exempt from interest rate limitations under section 217.3(g) of Regulation Q (12 CFR 217.3(g)); or

(vi) A non-United States resident or a foreign branch, office, subsidiary, affiliate or other foreign establishment ("foreign affiliate") controlled by one or more domestic corporations provided that the funds are used only to finance the operations outside the United States of the borrower or of its affiliates located outside the United States.

(b) *Acknowledgment of use of IBF deposits and extensions of credit.* An IBF shall provide written notice to each of its customers (other than those specified in § 204.8(a)(2)(i)(B) and § 204.8(a)(3)(i) through (v)) at the time a deposit relationship or a credit relationship is first established that it is the policy of the Board of Governors of the Federal Reserve System that deposits received by international banking facilities may be used only to support the depositor's operations outside the United States as specified in § 204.8(a)(2)(ii)(B) and that extensions of credit by IBFs may be used only to finance operations outside of the United States as specified in § 204.8(a)(3)(vi). In the case of loans to or deposits from foreign affiliates of U.S. residents,

receipt of such notice must be acknowledged in writing whenever a deposit or credit relationship is first established with the IBF.

(c) *Exemption from reserve requirements.* An institution that is subject to the reserve requirements of this Part is not required to maintain reserves against its IBF time deposits or IBF loans. Deposit-taking activities of IBFs are limited to accepting only IBF time deposits and lending activities of IBFs are restricted to making only IBF loans.

(d) *Establishment of an international banking facility.* A depository institution, an Edge or Agreement Corporation or a United States branch or agency of a foreign bank may establish an IBF in any location where it is legally authorized to engage in IBF business. However, only one IBF may be established for each reporting entity that is required to submit a Report of Transaction Accounts, Other Deposits and Vault Cash (Form FR 2900).

(e) *Notification to Federal Reserve.* At least fourteen days prior to the first reserve computation period that an institution intends to establish an IBF it shall notify the Federal Reserve Bank of the district in which it is located of its intent. Such notification shall include a statement of intention by the institution that it will comply with the rules of this Part concerning IBFs, including restrictions on sources and uses of funds, and recordkeeping and accounting requirements. Failure to comply with the requirements of this Part shall subject the institution to reserve requirements under this Part and to interest payment limitations that may be applicable under Regulation Q (12 CFR part 217) on its IBF time deposits, or result in the revocation of the institution's ability to operate an IBF.

(f) *Recordkeeping requirements.* A depository institution shall segregate on its books and records the asset and liability accounts of its IBF and submit reports concerning the operations of its IBF as required by the Board.

§ 204.3 and 204.4 [Amended]

5. In §§ 204.3(a), 204.3(a)(1)(ii), 204.3(a)(2)(ii), 204.3(c), 204.4(b)(1), 204.4(b)(1)(ii), 204.4(b)(2), 204.4(b)(2)(ii), 204.4(d), 204.4(g)(2)(ii)(A), 204.4(g)(2)(ii)(B), and 204.4(g)(2)(iii), references to §§ "204.8," "204.8(a)," or "204.8(b)" are redesignated as references to §§ "204.9," "204.9(a)," or "204.9(b)," respectively.

6. In Regulation Q (12 CFR Part 217), paragraphs (a) and (b) of § 217.1 are revised to read as follows:

§ 217.1 Definitions.

For purposes of this Part, the following definitions apply unless otherwise specified:

(a) *Demand deposit.* The term "any deposit which is payable on demand," hereinafter referred to as a "demand deposit," includes every deposit that is not a "time deposit," "international banking facility time deposit," or "savings deposit," as defined in this section.

(b) *Time deposit.* The term "time deposit" means "time certificates of deposit," "time deposits, open account," and "international banking facility time deposit," as defined in this section.

7. Section 217.1 is amended by adding a new paragraph (l) as follows:

§ 217.1 Definitions.

(l) "International banking facility time deposit" or "IBF time deposit" means a deposit, placement, borrowing or similar obligation represented by a promissory note, acknowledgement of advance, or similar instrument that is not issued in negotiable or bearer form and

(1) That is payable

(i) On a specified date not less than two business days after the date of deposit;

(ii) Upon expiration of a specified period of time not less than two business days after the date of deposit; or

(iii) Upon written notice that actually is required to be given by the depositor not less than two business days prior to the date of withdrawal;

(2) That represents funds deposited to the credit of a non-United States resident or a foreign branch, office, subsidiary, affiliate, or other foreign establishment ("foreign affiliate") controlled by one or more domestic corporations provided that such funds are used only to support the operations outside the United States of the depositor or of its affiliates located outside the United States; and

(3) That is held under an agreement or arrangement under which no deposit or withdrawal of less than \$100,000 is permitted, except that a withdrawal of less than \$100,000 is permitted if such withdrawal closes an account.

8. In § 217.7, paragraph (a) is revised to read as follows:

§ 217.7 Maximum rates of interest payable by member banks on time and savings deposits.

(a) *Time deposits of \$100,000 or more and IBF time deposits.* There is no maximum rate of interest presently prescribed on any time deposit of \$100,000 or more or on IBF time deposits issued under section 217.1(1).

By order of the Board of Governors, June 13, 1981.

James McAfee,

Assistant Secretary of the Board.

[FR Doc. 81-18533 Filed 6-22-81; 8:46 am]

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