

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 81-146
July 17, 1981

AMENDMENTS TO REGULATION D

TO THE CHIEF OPERATING OFFICER
OF ALL DEPOSITORY INSTITUTIONS IN THE
ELEVENTH FEDERAL RESERVE DISTRICT:

Enclosed is a copy of a slip-sheet regarding current amendments to Regulation D as amended effective June 17, 1981. This slip-sheet, dated June 1981, should be filed with Regulation D in the Regulations Binder furnished by this Bank. Additional copies of the slip-sheet will be furnished upon request to the Department of Communications, Financial and Community Affairs, Ext. 6289.

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.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS

AMENDMENTS TO REGULATION D †

As amended effective June 17, 1981

Effective November 13, 1980, sections 204.2, 204.3, and 204.4 are amended as follows:

1. In section 204.2, paragraph (h)(1) is revised to read as follows:

SECTION 204.2—DEFINITIONS

* * * * *

(h) **“Eurocurrency liabilities”** means the sum of the following:

(1) *Transactions with related offices outside the United States.*

(i) * * *

(A) * * *

(B) assets (including participations) held by its non-United States offices or by non-United States offices of an affiliated Edge or Agreement Corporation that were acquired after October 6, 1979, from its United States offices.

(ii) * * *

(A) * * *

(B) assets (including participations) held by its foreign bank (including offices thereof located outside the United States), by its parent holding company, or by non-United States offices of an affiliated Edge or Agreement Corporation that were acquired after October 6, 1979, from the United States branch or agency (other than assets required to be sold by Federal or State supervisory authorities).

* * * * *

2. In section 204.3, paragraph (d) is revised to read as follows:

SECTION 204.3—COMPUTATION AND MAINTENANCE

* * * * *

(d) **Special rule for depository institutions that have total deposits of less than \$15 million.**

(1) A depository institution with total deposits of less than \$15 million shall file a report of deposits once each calendar quarter for a seven-day computation period that begins on the third Thursday of a given month during the calendar quarter. Each Reserve Bank shall divide the depository institutions in its District that qualify under this paragraph into three substantially equal groups and assign each group a different month to report during each calendar quarter.

(2) * * *

(3) A depository institution that has less than \$15 million in total deposits as of December 31, 1979, shall qualify under this paragraph until it reports total deposits of \$15 million or more for two consecutive calendar quarters.

* * * * *

3. In section 204.4, paragraph (g) is revised to read as follows:

SECTION 204.4—TRANSITIONAL ADJUSTMENTS

* * * * *

(g) **Mergers and consolidations.** The following rules concerning transitional adjustments apply to mergers and consolidations of depository institutions.

(1) Where all depository institutions involved in a merger or consolidation are subject to the same paragraph of the transitional adjustment rules contained in paragraphs (a) through (f) of this section during the reserve computation period immediately preceding the merger, the surviving institution shall continue to compute its transitional adjustment of required reserves under such applicable paragraph.

† For this Regulation to be complete retain:

1) Printed Regulation pamphlet dated November 13, 1980

2) Supplement slip sheet dated August 1980.

3) This slip sheet. (Destroy slip sheet dated April 1981.)

except that the amount of reserves which shall be maintained shall be reduced by an amount determined by multiplying the amount by which the required reserves during the computation period immediately preceding the date of the merger (computed as if the depository institutions had merged) exceeds the sum of the actual required reserves of each depository institution during the same computation period, times the appropriate percentage as specified in the following schedule:

| <i>Maintenance periods occurring during quarterly periods following merger</i> | <i>Percentage applied to difference to compute amount to be subtracted</i> |
|--|--|
| 1 | 87.5 |
| 2 | 75.0 |
| 3 | 62.5 |
| 4 | 50.0 |
| 5 | 37.5 |
| 6 | 25.0 |
| 7 | 12.5 |
| 8 and succeeding | 0 |

(2) (i) Where the depository institutions involved in a merger or consolidation are not subject to the same paragraph of the transitional adjustment rules contained in paragraphs (a) through (f) of this section and such merger or consolidation occurs

(A) on or after July 1, 1979, between a nonmember bank and a bank that was a member bank on or after July 1, 1979, and the survivor is a nonmember bank;

(B) on or after March 31, 1980, between a member bank and a nonmember bank and the survivor is a member bank; or

(C) on or after September 1, 1980, between any other depository institutions

the required reserves of the surviving institution shall be computed by allocating its deposits, Euro-currency liabilities, other reservable claims, balances due from other depository institutions and cash items in process of collection to each depository institution involved in the merger transaction and applying to such amounts the transitional adjustment rule of paragraphs (a) through (f) of this section to which each such depository institution was subject during the reserve computation period immediately prior to the merger or consolidation.

(ii) The deposits of the surviving institution shall be allocated according to the ratio that daily average total required reserves of each depository institution involved in the merger were to the sum

of daily average total required reserves of all institutions involved in the merger or consolidation during the reserve computation period immediately preceding the date of the merger.

(A) If the merger occurs before November 6, 1980, such ratio of daily average total required reserves shall be computed using the reserve requirement ratios in section 204.8(b).

(B) If the merger occurs on or after November 6, 1980, such ratio of daily average total required reserves shall be computed using the reserve requirement ratios in section 204.8(a) without regard to the transitional adjustments of this section.

(iii) The low reserve tranche on transaction accounts (section 204.8(a)) shall be allocated to each institution involved in the merger or consolidation using the ratio computed in subparagraph (2)(ii) and the reserve requirement tranches on demand deposits (section 204.8(b)) shall be allocated to member bank deposits using such ratio of daily average total required reserves.

(iv) The vault cash of the surviving depository institution also will be allocated to each institution involved in the merger or consolidation according to the ratio that daily average vault cash of each depository institution involved in the merger was to the sum of daily average vault cash of all institutions involved in the merger or consolidation during the reserve computation period immediately preceding the date of the merger.

(v) The amount of reserves which shall be maintained shall be reduced by an amount determined by multiplying the amount by which the required reserves during the computation period immediately preceding the date of the merger (computed as if the depository institutions had merged) exceeds the sum of the actual required reserves of each depository institution during the same computation period, times the appropriate percentage as specified in the following schedule:

| <i>Maintenance periods occurring during quarterly periods following merger</i> | <i>Percentage applied to difference to compute amount to be subtracted</i> |
|--|--|
| 1 | 87.5 |
| 2 | 75.0 |
| 3 | 62.5 |
| 4 | 50.0 |
| 5 | 37.5 |
| 6 | 25.0 |
| 7 | 12.5 |
| 8 and succeeding | 0 |

Effective December 1, 1980 sections 204.2, 204.3, 204.4 and 204.6 are amended as follows:

1. In section 204.2(e)(6), the second sentence is amended to read as set forth below:

SECTION 204.2—DEFINITIONS

* * * * *

(e) **“Transaction account”** * * *

* * * * *

(6) * * * An account that permits or authorizes more than three such withdrawals in a calendar month, or statement cycle (or similar period) of at least four weeks, is a “transaction account” whether or not more than three such withdrawals actually are made during such period. * * *

* * * * *

2. In section 204.2(b)(1)(vii), by inserting the word “which” after the words “withdrawal period has expired and” and before the words “have not been renewed.”

3. In section 204.3(a), the third sentence is revised by deleting “\$5 million” and inserting in its place “\$15 million.”

4. In section 204.3(a), subparagraphs (1)(ii) and (2)(ii) are revised to read as follows:

SECTION 204.3—COMPUTATION AND MAINTENANCE

(a) **Maintenance of required reserves.** * * *

(1) *United States branches and agencies of foreign banks.*

(i) * * *

(ii) * * * If the low reserve tranche cannot be fully utilized by a single office or by a group of offices filing a single report of deposits, the unused portion of the tranche may be assigned to other offices of the same foreign bank until the amount of the tranche is exhausted. The foreign bank shall determine this assignment subject to the restriction that if a portion of the tranche is assigned to an office in a particular State, any unused portion must first be assigned to other offices located within the same State and within the same Federal Reserve District, that is, to other offices included on the same aggregated report of deposits. If necessary in order to avoid under-utilization of the low reserve tranche, the allocation may be changed at the beginning of a calendar month. Under other circum-

stances, the low reserve tranche may be reallocated at the beginning of a calendar year.

(2) *Edge and Agreement Corporations.*

(i) * * *

(ii) * * * If the low reserve tranche cannot be fully utilized by a single office or by a group of offices filing a single report of deposits, the unused portion of the tranche may be assigned to other offices of the same institution until the amount of the tranche is exhausted. An Edge or Agreement Corporation shall determine this assignment subject to the restriction that if a portion of the tranche is assigned to an office in a particular State, any unused portion must first be assigned to other offices located within the same State and within the same Federal Reserve District, that is, to other offices included on the same aggregated report of deposits. If necessary in order to avoid under-utilization of the low reserve tranche, the allocation may be changed at the beginning of a calendar month. Under other circumstances, the low reserve tranche may be reallocated at the beginning of a calendar year.

* * * * *

5. In sections 204.4(b)(1)(ii) and (2)(ii), by deleting the word “exceeds” and inserting in its place “exceed.”

6. In section 204.4(b)(2), by deleting the parentheses that appear around the phrase “than its required reserves computed using the reserve ratios in effect on August 31, 1980.”

7. In section 204.4(g)(2)(iv), by deleting the phrase “daily average vault cash” and inserting “daily average total required reserves” in both places that it appears.

8. In section 204.6(b)(1), by deleting the word “on” which appears after the word “imposed” and before the word “for.”

Effective December 11, 1980, section 204.2 is amended to read as follows:

In section 204.2, paragraph (h) is revised to read as follows:

SECTION 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 from its United States offices.

(ii) assets (including participations) held by its non-United States offices or by non-United States offices of an affiliated Edge or Agreement Corporation that were acquired after October 6, 1979, from its United States offices, 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 (i) in the aggregate amount of \$100,000 or less to any United States resident, (ii) by a non-United States office that at no time during the computation period had credit outstanding to United States residents exceeding \$1 million, or (iii) to an institution that will be maintaining reserves on such credit pursuant to this Part. Credit extended to a foreign branch, office, subsidiary, affiliate or 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 in its foreign business or that 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) 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 United States currency and coin, cash items in process of collection, unposted debits, balances due from depository institutions organized under the laws of the United States, balances due from other foreign banks, balances due from foreign central banks, and net balances due from its foreign bank and the foreign bank's United States and non-United States offices, and

(ii) assets (including participations) held by its foreign bank (including offices thereof located outside the United States), by its parent holding company, or by non-United States offices of an affiliated Edge or Agreement Corporation that were acquired after October 6, 1979, from the United States branch or agency (other than assets required to be sold by Federal or State supervisory authorities).

Effective January 15, 1981, section 204.3 (d) is amended by revising subparagraph (2) to read as follows:

SECTION 204.3—COMPUTATION AND MAINTENANCE

* * * * *

(d) **Special rule for depository institutions that have total deposits of less than \$15 million.**

* * * * *

(2) Required reserves are computed on the basis of the depository institution's daily average deposit balances during the seven-day computation period. In determining the reserve balance that a depository institution is required to maintain with the Federal Reserve, the average daily vault cash held during the computation period is deducted from the amount of the institution's required reserves. The reserve balance that is required to be maintained with the Federal Reserve shall be maintained during a corresponding period that begins on the fourth Thursday following the end of the institution's computation period and ends on the third Wednesday after the close of the institution's next computation period. Such reserve balance shall be maintained in the amount required on a daily average basis during each week of the quarterly reserve maintenance period.

* * * * *

Effective April 30, 1981, section 204.2(f) is amended by revising subparagraph (2) to read as follows:

SECTION 204.2—DEFINITIONS

* * * * *

(f) ***

(2) "Nonpersonal time deposit" does not include nontransferable time deposits to the credit of or in which the entire beneficial interest is held by an individual pursuant to an Individual Retirement Account or Keogh (H.R. 10) Plan under 26 U.S.C. (I.R.C. 1954) §§ 408, 401, or nontransferable time deposits held by an employer as part of an unfunded deferred compensation plan established pursuant to subtitle D of the Revenue Act of 1978 (Pub. L. No. 95-600, 92 Stat. 2763).

* * * * *

* * * * *

Effective May 14, 1981, section 204.2 is amended by adding a new paragraph (t) as follows:

SECTION 204.2—DEFINITIONS

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

* * * * *

(t) "Any deposit that is payable only at an office located outside the United States" means (1) a deposit of a United States resident¹ that is in a denomination of \$100,000 or more, and as to which the depositor is entitled, under the agreement with the institution, to demand payment only outside the United States or (2) a deposit of a person who is not a United States resident¹ as to which the depositor is entitled, under the agreement with the institution to demand payment only outside the United States.

Effective December 3, 1981, section 204.2, paragraph (h) is revised to read as follows:

SECTION 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

¹ A deposit of a foreign branch, office, subsidiary, affiliate or other foreign establishment ("foreign affiliate") controlled by one or more domestic corporations is not regarded as a deposit of a United States resident if the funds serve a purpose in connection with its foreign or international business or that of other foreign affiliates of the controlling domestic corporation(s).

¹ This 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.

(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 or 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 (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 Section 204.2(t), footnote 1 is redesignated as footnote 2.

3. Section 204.8 is redesignated section 204.9.

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

SECTION 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 sup-

port 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.

5. In sections 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 sections "204.8," "204.8(a)," or "204.8(b)" are redesignated as references to sections "204.9," "204.9(a)," or "204.9(b)," respectively.