

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 82-154
November 22, 1982

REGULATION D

TEMPORARY AMENDMENT

TO ALL DEPOSITORY INSTITUTIONS IN THE
ELEVENTH FEDERAL RESERVE DISTRICT:

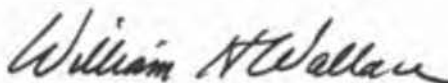
The Board of Governors of the Federal Reserve System announced a revision to a temporary amendment to Regulation D concerning time deposits linked to a line of credit on which checks or similar third-party transfers can be drawn. The amendment made such time deposits subject to the reserve requirements that apply to transaction accounts.

The revision expands the grandfather provisions of the amendment by exempting from the definition of transaction account such time deposits that mature and automatically renew on or before December 31, 1982. This action was taken to avoid adversely affecting, pending final Board action, some institutions that the Board has been advised have been unable to exercise options to terminate such arrangements.

The Board's press release and the related Federal Register document are enclosed for your information. Comments which are requested by December 3, 1982, should refer to Docket No. R-0424 and be sent to William H. Wiles, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, N.W., Washington, D.C., 20551.

Additional copies of this circular will be furnished upon request to the Department of Communications, Financial and Community Affairs, Extension 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.

FEDERAL RESERVE press release



For immediate release

November 17, 1982

The Federal Reserve Board today revised a temporary amendment to its Regulation D -- Reserve Requirements of Depository Institutions -- adopted October 5 that made certain time deposits subject to the reserve requirements that apply to transaction accounts. The amendment affected time deposits linked to a line of credit on which checks or similar third party transfers may be drawn.

The amendment exempted such time deposit arrangements established before October 5, 1982, but provided that if such a grandfathered deposit is extended, or matures and is renewed, the funds will become subject to the reserve requirements that apply to transaction accounts.

The Board has determined to expand the grandfather provisions of the amendment by exempting from the definition of transaction account such time deposits that mature and automatically renew on or before December 31, 1982. This action was taken to avoid adversely affecting, pending final Board action, some institutions that the Board has been advised have been unable to exercise options to terminate such arrangements.

The expansion will provide institutions time to decide whether to terminate these arrangements and to notify depositors of any such decisions.

It will also allow institutions to offer, as an alternative to these arrangements, the new money market deposit approved, effective December 14, by the Depository Institutions Deregulation Committee (DIDC).

The Board is continuing to accept comment on the temporary amendment through December 3, 1982.

The revision of the amendment is effective October 5, 1982.

The Board's notice of its action is attached.

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Attachment

FEDERAL RESERVE SYSTEM

Regulation D

[12 CFR Part 204]

[Docket No. R-0424]

RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS

Transaction Accounts

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Amendment to temporary rule.

SUMMARY: Effective October 5, 1982, the Board of Governors adopted a temporary amendment to Regulation D--Reserve Requirements of Depository Institutions (12 CFR Part 204) to define as transaction accounts, time deposits issued in connection with an agreement that permits the depositor to obtain credit by check or similar devices for the purpose of making payments or transfers to third persons or others. Under the amendment, time deposits subject to such arrangements established prior to October 5, 1982, are not regarded as transaction accounts until the deposit is extended, or matures and is renewed. The Board has determined that it is appropriate to expand these grandfather provisions by exempting from the definition of transaction accounts such time deposits that will automatically renew on or before December 31, 1982.

EFFECTIVE DATE: October 5, 1982.

FOR FURTHER INFORMATION CONTACT: Gilbert T. Schwartz, Associate General Counsel (202/452-3625), Paul S. Pilecki, Senior Attorney (202/452-3281), or Beverly A. Belcamino, Legal Assistant (202/452-3623), Legal Division, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

SUPPLEMENTARY INFORMATION: Effective October 5, 1982, the Board amended Regulation D--Reserve Requirements of Depository Institutions (12 CFR Part 204) to define as transaction accounts, time deposits issued in connection with an arrangement that permits the depositor to obtain credit, directly or indirectly, through the drawing of a check, draft or similar device that can be used for the purpose of making payments or transfers to third persons or others. (47 Federal Register 44992). In this connection, the Board also determined that it would be appropriate to grandfather time deposits subject to such arrangements established prior to October 5, 1982. However, the amendment provides that if the deposit maintained in connection with the line of credit is extended, or matures and is renewed, the funds will become subject to transaction

account reserve requirements. The amendment was adopted on a temporary basis and the Board is requesting comment until December 3, 1982, on whether any additional arrangements should be covered by this amendment and whether any arrangements should be eliminated from the scope of the amendment before it is adopted in final form.

Since the date of the Board's action, the Board has been advised that some institutions offering such arrangements have been unable to exercise options to terminate such arrangements. In order to insure that these institutions will not be adversely affected pending the Board's consideration of whether or not to adopt the temporary amendment in permanent form, the Board has determined to expand the grandfather provisions of the amendment by exempting from the definition of transaction accounts time deposits subject to such arrangements that are scheduled to mature and automatically renew on or before December 31, 1982. This will provide institutions with sufficient time to notify depositors that the related credit arrangements will be terminated, if an institution so chooses. Expansion of this provision also will allow institutions to offer the money market time deposit mandated by the Garn-St Germain Depository Institutions Act of 1982 (P.L. 97-320; 96 Stat. 1469) as an alternative to their existing arrangements.

Because this action modifies a temporary amendment for which public comment is being received until December 3, 1982, the Board finds good cause exists for dispensing with the notice and public participation provisions of 5 U.S.C. § 553(b). Because this action relieves a restriction the Board finds good cause for making this action effective immediately.

List of Subjects in 12 CFR Part 204

Banks, banking; Currency; Federal Reserve System; Penalties; Reporting requirements.

Pursuant to its authority under section 19(b) of the Federal Reserve Act (12 U.S.C. § 461(b)), effective October 5, 1982, the Board amends Regulation D (12 CFR Part 204) by revising paragraph (e) of section 204.2 to read as follows:

SECTION 204.2--DEFINITIONS

* * * * *

(e) * * *

(7) deposits or accounts maintained in connection with an arrangement that permits the depositor to obtain credit directly or indirectly through the drawing of a negotiable or nonnegotiable check, draft, order or instruction or other similar device (including telephone or electronic order or instruction) on the issuing institution that can be used for the purpose of making payments or transfers to third persons

or others, or to a deposit account of the depositor. Deposits that are subject to arrangements established before October 5, 1982, will not be regarded as transaction accounts (i) until the deposit issued in connection with the line of credit is extended, or matures and is renewed, or (ii) if the deposit issued in connection with the line of credit matures and is automatically renewed on or before December 31, 1982.

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By order of the Board of Governors, November 16, 1982.

William W. Wiles
Secretary of the Board