

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 6386]
August 15, 1969]

Amendments to Regulations D and M

To the Member Banks of the Second Federal Reserve District:

Enclosed are copies of Amendment and Supplement to Regulation D and Amendment to Regulation M of the Board of Governors of the Federal Reserve System, all effective September 4, 1969. These documents reflect the amendments that were announced and described in a statement issued August 13 by the Board, the text of which was contained in our Circular No. 6384 and sent to you on that date.

Additional copies of the enclosures will be furnished upon request.

ALFRED HAYES,
President.

SUPPLEMENT TO REGULATION D

ISSUED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Effective September 4, 1969, section 204.5 (Supplement to Regulation D) is amended to read as follows:

SECTION 204.5—SUPPLEMENT

(a) **Reserve percentages.**—Pursuant to the provisions of section 19 of the Federal Reserve Act and § 204.2(a) and subject to paragraphs (b) and (c) of this section, the Board of Governors of the Federal Reserve System hereby prescribes the following reserve balances which each member bank of the Federal Reserve System is required to maintain on deposit with the Federal Reserve bank of its district:

(1) If not in a reserve city—

- (i) 3 per cent of (A) its savings deposits and (B) its time deposits, open account, that constitute deposits of individuals, such as Christmas club accounts and vacation club accounts, that are made under written contracts providing that no withdrawal shall be made until a certain number of periodic deposits have been made during a period of not less than 3 months; plus
- (ii) 3 per cent of its other time deposits up to \$5 million, plus 6 per cent of such deposits in excess of \$5 million; plus
- (iii) 12½ per cent of its net demand deposits up to \$5 million, plus 13 per cent of such deposits in excess of \$5 million.

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

- (i) 3 per cent of (A) its savings deposits and (B) its time deposits, open account, that constitute deposits of individuals, such as Christmas club accounts and vacation club accounts, that are made under written contracts providing that no withdrawal shall be made until a certain number of periodic deposits have been made during a period of not less than 3 months; plus
- (ii) 3 per cent of its other time deposits up to \$5 million, plus 6 per cent of such deposits in excess of \$5 million; plus
- (iii) 17 per cent of its net demand deposits up to \$5 million, plus 17½ per cent of such deposits in excess of \$5 million.

(OVER)

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

(c) **Reserve percentages against certain deposits by foreign banking offices.**—Deposits represented by promissory notes, acknowledgments of advance, due bills, or similar obligations described in § 204.1(f) to foreign offices of other banks⁸ shall not be subject to paragraph (a) of this section or to § 204.3(a)(1) and (2); but during each week of the four-week period beginning October 16, 1969, and during each week of each successive four-week ("maintenance") period, a member bank shall maintain with the Reserve Bank of its district a daily average balance equal to 10 per cent of the daily average amount of such deposits during the four-week ("computation") period ending on the Wednesday fifteen days before the beginning of the maintenance period; except that only 3 per cent need be so maintained against such deposits which are time deposits⁹ aggregating not more than 4 per cent of such member bank's daily average deposits subject to paragraph (a) of this section during the computation period. An excess or deficiency in reserves in any week of a maintenance period under this paragraph shall be subject to § 204.3(a)(3), as if computed under § 204.3(a)(2), and deficiencies under this paragraph shall be subject to § 204.3(b).¹⁰

⁸ I.e., offices of other banks not covered by § 204.1(f)(1).

⁹ For the purposes of this paragraph, "time deposits" means any deposit having a maturity of one day or more.

¹⁰ The term "computation period" in § 204.3(a)(3) and (b) shall, for this purpose, be deemed to refer to each week of a maintenance period under this paragraph.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

RESERVES OF MEMBER BANKS

AMENDMENT TO REGULATION D

Effective September 4, 1969, section 204.1(b) and (f) are amended to read as follows:

SECTION 204.1—DEFINITIONS

* * *

(b) **Time deposits.**—The term “time deposits” means “time certificates of deposit,” “time deposits, open account,” and “savings deposits,” as defined below; except that for the purposes of § 204.5(c), “time deposits” shall have the meaning set forth therein.

* * *

(f) **Deposits as including certain promissory notes and other instruments.**—For the purposes of this Part, the term “deposits” shall be deemed to include any promissory note, acknowledgment of advance, due bill, or similar instrument that is issued by a member bank principally as a means of obtaining funds to be used in its banking business, except any such instrument (1) that is issued to a domestic banking office of another bank,^{5a} (2) that evidences an indebtedness arising from a transfer of direct obligations of, or obligations that are fully guaranteed as to principal and interest by, the United States or any agency thereof (other than a part interest in such obligations) that the bank is obligated to repurchase, or (3) that has an original maturity of more than 2 years and states expressly that it is subordinated to the claims of depositors. This paragraph shall not, however, affect (i) any instrument issued before June 27, 1966, or (ii) any instrument that evidences an indebtedness arising from a transfer of assets under repurchase agreement issued before July 25, 1969, or (iii) until August 28, 1969, any instrument that evidences an indebtedness arising from a transfer of assets under repurchase agreement issued, renewed, or extended on or after July 25, 1969, or (iv) any instrument issued to a foreign office of another bank before June 27, 1969.

^{5a} I.e., any banking office in any State of the United States or the District of Columbia of a bank organized under domestic or foreign law.

PAYMENT OF INTEREST ON DEPOSITS

AMENDMENT TO REGULATION M

Effective September 4, 1969, the following new section is added to Part 213 (Regulation M) :

SECTION 213.7—RESERVES AGAINST FOREIGN BRANCH DEPOSITS

(a) **Transactions with parent bank.**—During each week of the four-week period beginning October 16, 1969, and during each week of each successive four-week (“maintenance”) period, a member bank having one or more foreign branches shall maintain with the Reserve Bank of its district, as a reserve against its foreign branch deposits, a daily average balance equal to 10 per cent of the amount by which the daily average total of

- (1) net balances due from its domestic offices to such branches, and
- (2) assets (including participations) held by such branches which were acquired from its domestic offices,⁷

during the four-week (“computation”) period ending on the Wednesday fifteen days before the beginning of the maintenance period, exceeds the greater of

- (i) the corresponding daily average total⁸ for either the four-week period ending May 28, 1969 or (except as the Board may otherwise specify) any computation period beginning on or after September 4, 1969, whichever is least, or

⁷ Excluding (1) assets so held on June 26, 1969 representing credit extended to persons not residents of the United States and (2) credit extended or renewed by a domestic office after June 26, 1969 to persons not residents of the United States to the extent such credit was not extended in order to replace credit outstanding on that date which was paid prior to its original maturity (see definition of United States resident in footnote 9).

⁸ Excluding assets representing credit extended to persons not residents of the United States.

(OVER)

- (ii) 3 per cent of the member bank's daily average deposits subject to § 204.5(a) of this chapter (Regulation D) during the computation period:

Provided, That the applicable base computed under (i) or (ii) shall be reduced by the daily average amount of any deposits of the member bank subject to § 204.5(c) of this chapter (Regulation D) during the computation period.

(b) **Credit extended to United States residents.**—During each week of the four-week period beginning October 16, 1969, and during each week of each successive four-week maintenance period, a member bank having one or more foreign branches shall maintain with the Reserve Bank of its district, as a reserve against its foreign branch deposits, a daily average balance equal to 10 per cent of the amount by which daily average credit outstanding from such branches to United States residents⁹ (other than assets acquired and net balances due from its domestic offices), during the four-week computation period ending on the Wednesday fifteen days before the beginning of the maintenance period, exceeds either the corresponding daily average total during the four-week period ending May 28, 1969 or the total outstanding on June 25 or 26, 1969: *Provided*, That this paragraph does not apply to credit extended (1) by a foreign branch which at no time during the computation period had credit outstanding to United States residents⁹ exceeding \$5 million, (2) to enable the borrower to comply with requirements of the Office of Foreign Direct Investments, Department of Commerce,¹⁰ or (3) under binding commitments entered into before June 27, 1969.

⁹ I.e., (a) any individual residing (at the time the credit is extended) in any State of the United States or the District of Columbia; (b) any corporation, partnership, association or other entity organized therein ("domestic corporation"); and (c) any branch or office located therein of any other entity wherever organized. Credit extended to a foreign branch, office, subsidiary, affiliate or other foreign establishment ("foreign affiliate") controlled by one or more such domestic corporations will not be deemed to be credit extended to a United States resident if the proceeds will be used in its foreign business or that of other foreign affiliates of the controlling domestic corporation(s).

¹⁰ The branch may in good faith rely on the borrower's certification that the funds will be so used.