

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 6390]
August 19, 1969]

Amendments to Regulations D and Q

To the Member Banks of the Second Federal Reserve District:

Following is the text of a statement issued August 15 by the Board of Governors of the Federal Reserve System:

The Board of Governors of the Federal Reserve System today issued a clarifying amendment to recently adopted regulatory provisions narrowing the exemptions under Regulation D (member bank reserves) and Regulation Q (interest on deposits) that are available to banks using repurchase agreements. The clarification will permit banks to continue to execute repurchase agreements on a part interest in Treasury or Federal agency obligations that are eligible for purchase by Reserve Banks, and to classify their liability thereon as a nondeposit borrowing.

As issued by the Board on July 24, amendments to Regulations D and Q granted exemptions therefrom for repurchase agreements involving Treasury or Federal agency obligations "other than a part interest in such obligations." The clarifying amendment deletes the phrase "other than a part interest in such obligations."

A repurchase agreement involves the sale of market instruments with an agreement to buy them back at a later date.

The clarifying amendment constitutes a minor adaptation of the provisions adopted during July and eliminates the requirement that a member bank must transfer its entire interest in a particular Treasury or Federal agency issue under this type transaction for the exemption to apply.

The clarifying amendment referred to in the above statement is made to (a) section 204.1(f) of Regulation D, which is contained in an amendment sent to you with our Circular No. 6386, dated August 15, and (b) section 217.1(f) of Regulation Q, which is contained in an amendment sent to you with our Circular No. 6373, dated July 24. You can effect the change in those sections by deleting therefrom the phrase "(other than a part interest in such obligations)."

Additional copies of this circular will be furnished upon request.

ALFRED HAYES,
President.