

FEDERAL RESERVE BANK
OF NEW YORK

Circular No. 6445
November 26, 1969

REGULATIONS D AND Q
Further Time to Adjust to October 29 Determination
on Obligations of Subsidiaries of Member Banks

To the Member Banks of the Second Federal Reserve District:

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

The Board of Governors of the Federal Reserve System announced today that further time will be given to member banks to adjust to a determination by the Board on October 29 relating to commercial paper issued by bank subsidiaries.

In that determination, the Board pointed out that obligations of bank subsidiaries are, under present provisions of Regulations Q and D, subject to interest rate limitations and reserve requirements to the same extent as obligations issued directly by the bank.

Following is the text of a letter to the Federal Reserve Banks on this matter:

"The Board today adopted the following in furtherance of its actions on October 29 and November 4 concerning the status of certain types of obligations issued by bank subsidiaries under Regulations D and Q:

"1. Regulation Q. The Board has further suspended until January 15, 1970, the limitations on the rate of interest that may be specified in commercial paper or similar obligations with a maturity of 30 days or more issued by a subsidiary of a member bank, to the extent that the total amount of such obligations does not exceed the total amount of the subsidiary's commercial paper outstanding on October 29.

"2. Regulation D. The Board regards it as appropriate for a Reserve Bank to waive penalties for member bank reserve deficiencies in reserve periods before January 15, 1970, that result from the treatment of bank subsidiary obligations as deposits, to the extent that the total amount of such obligations does not exceed the total amount of the subsidiary's commercial paper outstanding on October 29.

"3. Discount window accommodation. The Board continues to regard it as appropriate for a Reserve Bank to provide accommodation at the discount window for member banks affected by the October 29 determination, in order to allow such banks a reasonable time to adjust in an orderly manner to that determination."

The October 29 determination by the Board of Governors, referred to in the above statement, is contained in our Circular No. 6429, which was sent to you on that date.

Additional copies of this circular will be furnished upon request.

Alfred Hayes, President.