

**FEDERAL RESERVE BANK
OF NEW YORK**

Circular No. 6495
February 24, 1970

**Action Deferred on Application of Regulations D and Q
to Commercial Paper of Bank Affiliates and Subsidiaries**

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 it was deferring action on outstanding proposals to apply interest rate ceilings, reserve requirements, or both, to funds obtained by banks through issuance of commercial paper by their affiliates. These proposals were first published for public comment on October 29, 1969, and January 20, 1970. After reviewing both the comments received and the current business and financial situation, the Board decided to defer action on these proposals at this time in order to avoid additional stringency in money and credit conditions.

In keeping with this decision, the Board also agreed to extend (1) the suspension on the limitations on the rate of interest that may be specified in commercial paper 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, and (2) the permission granted Reserve Banks to waive penalties in connection with the application of reserve requirements to such obligations. The applicability of such regulations to bank subsidiaries was specifically affirmed by the Board on October 29, 1969.

Additional copies of this circular will be furnished upon request.

Alfred Hayes,
President.