

FEDERAL RESERVE BANK  
OF NEW YORK

Circular No. 6517  
April 3, 1970

PROPOSED AMENDMENT TO REGULATION D  
Transfers from Time Deposits to Cover Checks

To All Member Banks, and Others Concerned,  
in the Second Federal Reserve District:

Printed below is an excerpt from the Federal Register of April 1, containing the text of a proposed amendment to Regulation D that is designed to prevent the use of a savings or any other time deposit in tandem with a checking account, pursuant to an express or implied agreement, so as to vitiate the effect of the demand deposit reserve requirements under the regulation. Comments on the proposed amendment should be submitted by April 27 and may be sent to the Board of Governors through our Bank Examinations Department.

Additional copies of this circular will be furnished upon request.

Alfred Hayes,  
President.

**FEDERAL RESERVE SYSTEM**

[ 12 CFR Part 204 ]

**RESERVES OF MEMBER BANKS**

**Transfers From Time Deposits to  
Cover Checks**

The Board of Governors is considering changing the present definition of "time deposits" in this part (Regulation D) to exclude from the scope of that term any funds which are regularly utilized by the depository bank itself, pursuant to an express or implied agreement with the depositor, to cover checks drawn on the bank by the depositor. Deposits so utilized would be "demand deposits" for purposes of the reserve requirements imposed by this part.

The proposal being considered is to amend § 204.1(b) to read as follows:

§ 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, but shall not include any deposit representing funds which are regularly utilized, by action of the depository bank itself pursuant to an express or implied agreement with the depositor, to cover checks drawn on the bank by the depositor.<sup>1</sup>

Recent evidence indicates that some member banks have accepted in their commercial departments noninterest-bearing savings accounts from their own trust departments. Each day a transfer is made to the trust department's checking account to cover checks drawn that day by the trust department. The obvious purpose of this procedure is to avoid the higher demand deposit reserve requirements with respect to funds which in practical effect are subject to check. The intent of the amend-

<sup>1</sup> For example, funds deposited by the trust department of a bank in its own commercial department are not "time deposits" if regularly utilized to cover checks drawn by the trust department.

ment is to prevent the use of a savings or any other time deposit in tandem with a checking account, pursuant to an express or implied agreement, so as to vitiate the effect of the demand deposit reserve requirements in this part.

To aid in the consideration of this matter by the Board, interested persons are invited to submit relevant data, views, or arguments. Any such material should be submitted in writing to the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551, to be received not later than April 27, 1970. Under the Board's rules regarding availability of information (12 CFR Part 261), such materials will be made available for inspection and copying upon request unless the person submitting the material asks that it be considered confidential.

By order of the Board of Governors,  
March 24, 1970.

[SEAL]

KENNETH A. KENYON,  
Deputy Secretary.

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