

FEDERAL RESERVE BANK  
OF NEW YORK

[Circular No. 6709]  
April 2, 1971]

AMENDMENT TO REGULATION M  
Reserves Against Eurodollar Borrowings

*To the Member Banks of the Second Federal Reserve District:*

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

The Board of Governors of the Federal Reserve System today amended its regulation to permit U. S. banks to count toward maintenance of their reserve-free Eurodollar bases any funds invested by their overseas branches in U. S. Treasury securities offered under the program announced today by the Treasury. The Board had previously made a similar amendment regarding Export-Import Bank securities offered to foreign branches.

Eurodollar borrowings by a member bank are subject to a 20 per cent reserve requirement to the extent that they exceed a bank's reserve-free base. Foreign branches of U. S. banks may, however, purchase and hold free of reserve requirements securities issued under this Treasury program, as they have heretofore been able to do under the similar Export-Import Bank program, even if the branch security holdings — together with head office borrowings of Eurodollars from their branches — exceed the reserve-free base.

Enclosed is a copy of an amendment, effective April 1, 1971, to Regulation M, "Foreign Activities of National Banks," giving effect to the above change. Additional copies of the enclosure will be furnished upon request.

ALFRED HAYES,  
*President.*

**FOREIGN ACTIVITIES OF NATIONAL BANKS**

**AMENDMENT TO REGULATION M**

Effective April 1, 1971, footnote 8 to § 213.7(a) of Regulation M is amended to read as follows:

**SECTION 213.7 — RESERVES AGAINST  
FOREIGN BRANCH DEPOSITS**

(a) Transactions with parent bank. \* \* \*

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<sup>8</sup> Including the principal amount paid by a foreign branch of the member bank for obligations held by such branch that were purchased by it from the Export-Import Bank of the United States pursuant to its program announced on January 15, 1971, or purchased by it from the U. S. Treasury pursuant to its program announced on April 1, 1971, and excluding assets representing credit extended to persons not residents of the United States.