

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 7342]
[February 11, 1974]

EURODOLLAR RESERVE REQUIREMENTS UNDER REGULATION M

Termination of Exemption for OFDI-Related Foreign Branch Loans to U.S. Residents

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

Following is the text of a statement by the Board of Governors of the Federal Reserve System regarding the application of Eurodollar reserve requirements under Regulation M, "Foreign Activities of National Banks," to certain types of credit extended to United States residents:

With the termination on January 29, 1974 of the capital restraint program of the Office of Foreign Direct Investments ("OFDI"), Department of Commerce, the exemption from Eurodollar reserve requirements under the Board's Regulation M (Section 213.7(b)) for OFDI-related foreign branch loans to U.S. residents is no longer applicable.

Effective January 29, 1974, all new loans by foreign branches of member banks to U.S. residents who are direct investors will be subject to the 8 per cent reserve requirement applicable under Regulation M. Outstanding loans made pursuant to the OFDI exemption are not subject to reserve requirements. With respect to revolving credit agreements or other loan agreements that are renewable after January 29, 1974, any credits extended after the first date on which the foreign branch could cancel the loan would be subject to the 8 per cent reserve requirement. A renewal of a revolving credit or other loan agreement shall be deemed to have occurred when the foreign branch has the right to demand repayment of the loan and does not exercise that right.

It should be noted that any extension of credit after January 29, 1974, under an existing commitment by a foreign branch would be subject to the Regulation M reserve requirements unless the commitment binds the branch to lend a specified amount at a specified rate of interest and the branch did not retain the option to change the terms if the OFDI requirements or Regulation M were changed.

Additional copies of this circular will be furnished upon request.

ALFRED HAYES,
President.