

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 7550]
January 15, 1975

Expiration of Reserve-Free Bases on Eurodollar Borrowings

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

The Board of Governors of the Federal Reserve System has amended its Regulation D, "Reserves of Member Banks," and Regulation M, "Foreign Activities of National Banks," to reflect the expiration of reserve-free bases on member banks' Eurodollar borrowings.

In submitting the amendments for publication in the *Federal Register*, the Board of Governors made the following statement:

The Board of Governors has approved technical amendments to its Regulation D, Reserves of Member Banks, and Regulation M, Foreign Activities of National Banks, in order to delete certain provisos pertaining to the gradual elimination of reserve-free bases on member banks' Eurodollar borrowings, since these reserve-free bases have expired.

On May 16, 1973 (effective date June 21, 1973), the Board reduced the reserve requirements on Eurodollar borrowings by member banks from 20 per cent to 8 per cent and provided for the gradual elimination of the reserve-free bases that exempted from reserve requirements some portion of member banks' Eurodollar borrowings. Member banks were to begin phasing out this base in the computation period which commenced on July 5, 1973. This elimination process was completed in the computation period ending on April 10, 1974.

Section 204.5(c) of Regulation D and section 213.7(a) of Regulation M contain provisos explaining how the reserve-free base was to be reduced. Since the process of reducing member banks' reserve-free bases has been completed and such bases have thus been eliminated entirely from member banks' Eurodollar reserve computations, the Board has approved the deletion of the explanatory provisos from the regulations.

Enclosed is a copy of the amendment to Regulation M. The Supplement (section 204.5), effective November 28, 1974, to Regulation D, which was sent to you with our Circular No. 7507, dated November 19, 1974, already reflects the deletion of the reserve-free-bases provisions of Regulation D.

Additional copies of the enclosure will be furnished upon request.

ALFRED HAYES,
President.

Board of Governors of the Federal Reserve System

FOREIGN ACTIVITIES OF
NATIONAL BANKS

AMENDMENT TO REGULATION M

Effective November 22, 1974, paragraph (a) of section 213.7 is amended to read as follows:

SECTION 213.7—RESERVES AGAINST
FOREIGN BRANCH DEPOSITS

(a) **Transactions with parent bank.** During each week of the four-week period beginning June 21, 1973, and during each week of each successive four-week ("maintenance") period, a member bank having one or more foreign branches shall maintain with the Reserve Bank of its district, as a reserve against its foreign branch deposits, a daily average balance equal to 8 per cent of the daily average total of

(1) net balances due from its domestic offices to such branches, and

(2) assets (including participations) held by such branches which were acquired from its domestic offices (other than assets representing credit extended to persons not residents of the United States), during the four-week computation period ending on the Wednesday fifteen days before the beginning of the maintenance period.

PRINTED IN NEW YORK