

**FEDERAL RESERVE BANK
OF NEW YORK**

Attn: W. 8652

October 12, 1979

*To Member Banks, Edge and Agreement Corporations,
Branches and Agencies of Foreign Banks, and Others Concerned,
in the Second Federal Reserve District:*

Enclosed is a copy of the text of the Regulation D changes relating to the newly established 8 percent marginal reserve requirement, in the form in which it was submitted for publication in the *Federal Register*. A revised Supplement to Regulation D, containing the text of the changes in a form suitable for insertion in your Regulation binder, will be sent to you shortly.

Additional copies of the enclosure will be furnished upon request.

THOMAS M. TIMLEN,
First Vice President.

AF: circ. no. 8652

TITLE 12—BANKS AND BANKING

CHAPTER II—FEDERAL RESERVE SYSTEM

SUBCHAPTER A--BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

[Regulation D]

(Docket No. R-0218)

PART 204—RESERVES OF MEMBER BANKS

Marginal Reserve Requirements

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final rule.

SUMMARY: The Board of Governors has amended Regulation D to establish a marginal reserve requirement of 8 per cent on the amount by which the total of certain managed liabilities of member banks (and Edge and Agreement Corporations) and United States branches and agencies of foreign banks exceeds the amount of such managed liabilities outstanding during a base period. The purpose of this action is to better control the expansion of bank credit, help curb speculative excesses in financial, foreign exchange and commodity markets and thereby serve to dampen inflationary forces. The managed liabilities affected by this action include the total of (1) time deposits in denominations of \$100,000 or more with original maturities of less than one year; (2) Federal funds borrowings with original maturities of less than one year from U.S. offices of depository institutions not required to maintain Federal reserves and from U.S. government agencies; (3) repurchase agreements with original maturities of less than one year on U.S. government and agency securities entered into with parties other than institutions required to maintain Federal reserves; and (4) Eurodollar borrowings from foreign banking

offices, asset sales to related foreign offices, and member bank foreign office loans to U.S. residents. The marginal reserve requirement will not apply to borrowings from the United States, principally in the form of Treasury tax and loan account note balances. The 8 per cent marginal reserve requirement will apply to the amount by which the daily average amount of an institution's total managed liabilities during a reserve computation period exceeds a base amount calculated generally as either the daily average amount of such liabilities outstanding during the base period (September 13 to 26, 1979) or \$100 million, whichever is greater.

EFFECTIVE DATE: With regard to member banks (and Edge and Agreement Corporations), the marginal reserve requirement is effective on marginal total managed liabilities outstanding during the seven-day computation period beginning October 11, 1979, and reserves will be required to be maintained against such marginal total managed liabilities during the seven-day period beginning on October 25, 1979. With regard to U.S. branches and agencies of foreign banks, the marginal reserve requirement also is effective on marginal total managed liabilities outstanding during the seven-day computation period beginning October 11, 1979. However, such institutions will not be required to maintain marginal reserves until the seven-day period beginning on November 8, 1979. During the seven-day period beginning on November 8, 1979, the U.S. reporting office of a U.S. branch and agency family will be required to maintain marginal reserves for the family for the seven-day computation periods beginning October 11, 18, and 25.

FOR FURTHER INFORMATION CONTACT: Gilbert T. Schwartz, Assistant General Counsel (202/452-3623); Anthony F. Cole, Senior Attorney (202/452-3711); or Paul S. Pilecki, Attorney (202/452-3281), Legal Division, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

SUPPLEMENTARY INFORMATION: The Board of Governors has amended Regulation D (12 C.F.R. Part 204) to impose a marginal reserve requirement of 8 per cent on the amount by which the total managed liabilities of certain institutions exceeds the amount of the institution's base amount of managed liabilities. Generally, an institution's base is the daily average amount of the institution's total managed liabilities outstanding during the base period (September 13-26, 1979) or \$100 million, whichever is greater. The marginal reserve requirement will apply to member banks, Edge and Agreement Corporations, and families of U.S. branches and agencies of foreign banks whose foreign parents have worldwide banking assets in excess of \$1 billion. The managed liabilities of U.S. branches and agencies of the same foreign bank family will be reported on a consolidated basis. The managed liabilities on which marginal reserves will apply include the total of (1) time deposits in denominations of \$100,000 or more with original maturities of less than one year; (2) Federal funds borrowings with original maturities of less than one year from U.S. offices of depository institutions not required to maintain Federal reserves and from U.S. government agencies; (3) repurchase agreements with original maturities of less than one year on U.S. government and agency securities entered into with parties other than institutions required to maintain Federal reserves; and (4) Eurodollar borrowings from foreign

banking offices of the same institution or of other banks, asset sales to related foreign offices, and member bank and Edge and Agreement Corporation foreign office loans to U.S. residents.

Time Deposits of \$100,000 or More

Managed liabilities subject to the marginal reserve requirement include deposits of the following types:

- (a) Time deposits of \$100,000 or more with original maturities of less than one year; and
- (b) Time deposits of \$100,000 or more with original maturities of less than one year represented by promissory notes, acknowledgements of advance, due bills, or similar obligations (written or oral) as provided in § 204.1(f) of Regulation D; and
- (c) Time deposits of any denomination with remaining maturities of less than one year represented by ineligible bankers' acceptances or obligations issued by a member bank's affiliate to the extent that the proceeds are supplied to the member bank as provided in § 204.1(f) of Regulation D.

Credit balances of \$100,000 or more with original maturities of 30 days or more but less than one year will also be treated as managed liabilities subject to the marginal reserve requirement. Time deposits subject to the marginal reserve requirement do not include savings deposits and Christmas club-type deposits. U.S. branches and agencies of foreign banks generally will be required to maintain marginal reserves based on similar types of obligations, but will not be required to maintain the basic reserve requirements imposed on time deposits under § 204.5(a)(1)(ii) and (2)(ii).

Federal Funds and Repurchase Agreements

On April 13, 1979, the Board solicited public comment (44 Fed. Reg. 23867) on a proposal to apply reserve requirements to certain member bank Federal funds borrowings and to certain repurchase agreements entered into by member banks. Under the Board's April proposal, member bank borrowings from U.S. offices of other banks whose liabilities are not subject to Federal reserve requirements and from the U.S. government and its agencies would have been treated as a new category of time deposit subject to a 3 per cent cent reserve requirement.

The Board's April proposal also would have treated as deposits member bank borrowings in the form of repurchase agreements based on U.S. government and agency securities. Such obligations would have been subject to a 3 per cent reserve requirement. However, repurchase agreements entered into by a member bank with U.S. banking offices of other member banks or other organizations subject to Federal reserve requirements and with the Federal Reserve Banks would have continued to be exempt from reserve requirements.

After consideration of the more than 350 comments received from the public on this proposal, the Board has adopted the proposal in a modified form. The Board has determined to treat certain Federal funds borrowings and repurchase agreements of member banks, Edge and Agreement Corporations, and U.S. branches and agencies of foreign banks as managed liabilities subject to the marginal reserve requirement. Under this approach, the amount of borrowings with original maturities of less than one year from U.S. offices of other banks whose liabilities

are not subject to Federal reserve requirements and from agencies of the United States (together with other managed liabilities) that exceeds the institution's base, will be subject to an 8 per cent marginal reserve requirement. The Board believes that exempting Federal funds borrowings from institutions maintaining Federal reserves from the marginal reserve requirement is appropriate to facilitate the reserve adjustment process and to avoid the possibility of imposing double Federal reserve requirements on liabilities that already may be subject to Federal reserve requirements at another institution.

Borrowings from the United States government (principally in the form of Treasury tax and loan account note balances), however, will not be regarded as managed liabilities subject to the marginal reserve requirement. Borrowings with original maturities of less than one year from Federal agencies and instrumentalities such as the Federal Home Loan Bank Board and the Federal Home Loan Banks will be subject to the marginal reserve requirement.

In the past, the term "bank" has been defined by the Board to include commercial banks, savings banks, savings and loan associations, cooperative banks, the Export-Import Bank, and Minbanc Capital Corporation (see 12 C.F.R. § 217.137). For purposes of reserve requirements (and interest rate provisions) the term "bank" is being modified to include credit unions. Consequently, while borrowings from such nonmember institutions by member banks will be regarded as managed liabilities subject to the marginal reserve requirement, such borrowings would be exempt from the basic reserve requirements of Regulation D.

Borrowings from domestic offices of organizations that are required by the Board to maintain reserves and from Federal Reserve Banks will not be regarded as managed liabilities subject to the marginal reserve requirement. The institutions that currently are required to maintain reserves include member banks, Edge Corporations engaged in the banking business (12 U.S.C. § 615), Agreement Corporations (12 U.S.C. §§ 601-604a), operations subsidiaries of member banks (12 C.F.R. § 204.117), and, under this action, U.S. branches and agencies of foreign banks with worldwide banking assets in excess of \$1 billion (12 U.S.C. § 3105).

Under the Board's action, borrowings in the form of repurchase agreements with original maturities of less than one year involving U.S. government and agency securities also would be regarded as managed liabilities subject to the marginal reserve requirement. Repurchase agreements entered into with U.S. offices of other member banks or organizations that are required by the Board to maintain reserves with the Federal Reserve System would not be regarded as managed liabilities subject to the marginal reserve requirement. Repurchase agreements entered into by member banks, banking Edge and Agreement Corporations, and U.S. branches and agencies of foreign banks with nonexempt entities, such as nonmember banks and nonbank dealers, will not be subject to the marginal reserve requirement if such transactions are intended to provide collateral to nonexempt entities in order to engage in repurchase transactions with the Federal Reserve System Open Market Account.

In order to continue to facilitate the activities of bank dealers in the U.S. government and agency securities markets, and to provide competitive equality between bank and nonbank dealers, the amendment permits member banks, Edge and Agreement Corporations, and U.S. branches and agencies of foreign banks to deduct the amount of U.S. government and agency securities held by the institution in its trading account from the total amount of its repurchase agreements entered into with nonexempt entities in determining the amount of its repurchase agreements subject to the marginal reserve requirement. A trading account represents the U.S. government and agency securities that are held for dealer transactions--i.e., securities purchased with the intention that they will be resold rather than held as an investment. The Board expects that institutions will not reclassify U.S. government and agency securities held in their investment or other accounts to their trading accounts for the purpose of avoiding marginal reserve requirements.

Managed liabilities subject to the 8 per cent marginal reserve requirement also will include any obligation that arises from a borrowing for one business day from a dealer in securities whose liabilities are not subject to the reserve requirements of the Federal Reserve Act of proceeds of a transfer of deposit credit in a Federal Reserve Bank (or other immediately available funds), received by such dealer on the date of the loan in connection with clearance of securities transactions.

Eurodollars

The Board also has included the Eurodollar borrowings of member banks, Edge and Agreement Corporations and U.S. branches and agencies of foreign banks as managed liabilities subject to the marginal reserve

requirement. Consequently, the amount of Eurodollars (together with other managed liabilities) of a member bank, Edge or Agreement Corporation, or U.S. branch or agency that exceeds the institution's base will be subject to the 8 per cent marginal reserve requirement. With regard to member banks and Edge and Agreement Corporations, such Eurodollars include the institution's daily average balance of (1) borrowings with original maturities of less than one year from foreign offices of other banks and institutions that are exempt from interest rate limitations pursuant to § 217.3(g) of Regulation Q; (2) net balances due from an institution's domestic offices to the institution's foreign offices; (3) assets (including participations) held by the institution's foreign offices that were acquired from the institution's domestic offices; and (4) the credit outstanding from the institution's foreign offices to U.S. residents.

With regard to U.S. branches and agencies of a family of a foreign bank with worldwide banking assets in excess of \$1 billion, such Eurodollars include the daily average balance of (1) borrowings with original maturities of less than one year from non-U.S. offices of other banks and institutions that are exempt from interest rate limitations pursuant to § 217.3(g) of Regulation Q; (2) assets (including participations) sold to and held by the foreign parent (including branches and agencies and subsidiaries located outside the U.S.) and the parent holding company that were acquired from the U.S. branches or agencies (except assets that for Federal supervisory purposes are required to be sold); and (3) net balances due to the foreign parent (including branches and agencies and banking subsidiaries located outside the U.S.) and the parent holding

company after deducting an amount equal to 8 per cent of the total assets of the U.S. branches and agencies, less certain cash assets (cash, cash items in the process of collection or other balances due from the foreign parent bank or related institutions or unrelated U.S. and foreign banks). Since U.S. branches and agencies do not possess a separate capital account like domestic banks, the 8 per cent allowance is provided in order to contribute to competitive equity and to the safety and soundness of foreign banking offices in the U.S. (It should be noted that proceeds of commercial paper issued in the United States by the foreign bank parent will be subject to marginal reserve requirements only if such funds are provided as Eurodollar advances to its U.S. branches and agencies.)

U.S. Branches and Agencies of Foreign Banks

On July 23, 1979, the Board requested public comment on a proposal to apply Federal reserve requirements and interest rate limitations to U.S. branches and agencies of foreign banks (44 Fed. Reg. 44876). The period for comment on the Board's proposal expires on November 23, 1979. The Board's action with regard to marginal reserve requirements on managed liabilities of U.S. branches and agencies does not reflect a Board determination of the issues raised by the July 23 proposal.

Under the Board's action, all reports on total managed liabilities of U.S. branches and agencies of the same family must be reported on a consolidated basis by one U.S. office of the family to the Federal Reserve Bank of the district in which the reporting office is located.

Intra-family transactions between U.S. branches and agencies of the same family should not be included in computing the family's managed liabilities. A foreign bank family consists of the U.S. branches and agencies of the same foreign parent bank and of its majority owned (greater than 50 per cent) foreign banking subsidiaries. The office designated by the family to file reports also will be required to maintain the marginal reserves of the family in a reserve account at the Federal Reserve Bank to which it submits the family's reports. In view of the outstanding proposal concerning issues relating to the application of all Federal reserve requirements to U.S. branches and agencies, Federal Reserve services and access to the Federal Reserve discount window will not be made available at this time to U.S. branches and agencies. Funds will be permitted to be transferred by a U.S. branch or agency only by drafts drawn on the family's reserve account. A family's reserve account will not be available for general clearing purposes.

Computation and Maintenance of Marginal Reserve Requirements

The amount of marginal reserves that a member bank, Edge or Agreement Corporation, or a U.S. branch or agency family of a foreign bank that is a net borrower of managed liabilities will be required to maintain will be determined by the amount by which the total of the institution's managed liabilities during a given seven-day reserve computation period exceeds the total of its managed liabilities during the base period or \$100 million, whichever is greater. For an institution that is a net lender of managed liabilities (that is, the sum of its managed liabilities is negative because its net Eurodollar loans to its foreign

offices are greater than the total of its large time, Federal funds, repurchase agreements, and borrowed Eurodollars), its base will be the algebraic sum of its managed liabilities and \$100 million. For example, if an institution has negative \$150 million of managed liabilities during the base period, its base will be negative \$50 million, and marginal reserve requirements will apply to the amount of its total managed liabilities above that amount. Consequently, if such an institution maintained a daily average of total managed liabilities during a computation period of negative \$30 million, it would be required to maintain the 8 per cent marginal reserve requirement against \$20 million of managed liabilities during the reserve maintenance period.

The base period amount will be determined from the daily average total of the institution's managed liabilities during the fourteen-day period ending September 26, 1979. During the seven-day maintenance period beginning October 25, 1979, a member bank (and an Edge or Agreement Corporation) will be required to maintain a daily average reserve balance of 8 per cent of its daily average marginal managed liabilities outstanding during the seven-day computation period beginning October 11, 1979. Thereafter, a member bank (and an Edge or Agreement Corporation) will be required to maintain its marginal reserve balance on a daily average basis for the seven-day maintenance period beginning eight days after the end of the corresponding computation period.

During the seven-day maintenance period beginning November 8, 1979, a reporting office of a U.S. branch or agency family will be required to maintain a daily average reserve balance of 8 per cent of the total of the family's daily average marginal managed liabilities outstanding

during the three seven-day computation periods beginning October 11, 18 and 25, 1979. The initial reserve maintenance period for U.S. branches and agencies is being deferred to the seven-day period beginning November 8, 1979, since such institutions will be reporting liabilities and maintaining reserves with the Federal Reserve for the first time. Thereafter, the reporting office of a U.S. branch or agency family will be required to maintain the family's marginal reserve balance in the same manner as a member bank i.e., during the seven-day maintenance period beginning eight days after the end of the corresponding computation period. As is the case with member banks, the U.S. currency and coin held by U.S. branches or agencies during the seven-day computation period may be used to satisfy the family's required reserves.

These actions are being taken to help curb speculative excesses in financial, foreign exchange and commodity markets and to moderate expansion of bank credit, thereby dampening inflationary pressures. In order to achieve the above stated objectives as soon as possible, the Board for good cause finds that further notice, public procedure, and deferral of effective date provisions of 5 U.S.C. § 553(b) with regard to these actions are impracticable and contrary to the public interest.

These actions are taken pursuant to the Board's authority under sections 19, 25 and 25(a) of the Federal Reserve Act (12 U.S.C. §§ 461, 601 et seq.) and under section 7 of the International Banking Act of 1978 (12 U.S.C. § 3105).

Effective October 6, 1979, section 204.5 of Regulation D (12 CFR § 204.5) is amended as follows:

§ 204.5 RESERVE REQUIREMENTS

(a) Reserve percentages. Pursuant to the provisions of section 19 of the Federal Reserve Act, section 7 of the International Banking Act of 1978 and § 204.2(a) and subject to paragraphs (b) through (f) of this section,***

(b) Currency and coin. The United States currency and coin of a member bank or a United States branch or agency of a foreign bank shall be counted as reserves in determining compliance with the reserve requirements of this section.

* * * * *

(f) Marginal Reserve Requirements.

(1) Member banks. During the seven-day reserve maintenance period beginning October 25, 1979, and during each seven-day reserve maintenance period thereafter, a member bank shall maintain a daily average reserve balance against its time deposits equal to 8 per cent of the amount by which the daily average of its total managed liabilities during the seven-day computation period ending eight days prior to the beginning of the corresponding seven-day reserve maintenance period exceeds the member bank's managed liabilities base. For a member bank that, on a daily average basis, is a net borrower of total managed liabilities during the fourteen-day base period ending September 26, 1979, its managed liabilities base shall be the daily average of its total managed liabilities

during the base period or \$100 million, whichever is greater. For a member bank that, on a daily average basis, is a net lender of total managed liabilities during the fourteen-day base period ending September 26, 1979, its managed liabilities base shall be the sum of its negative total managed liabilities and \$100 million. A member bank's managed liabilities are the total of the following:

(i) (A) time deposits of \$100,000 or more with original maturities of less than one year;

(B) time deposits of \$100,000 or more with original maturities of less than one year representing borrowings in the form of promissory notes, acknowledgements of advance, due bills, or similar obligations as provided in § 204.1(f); and

(C) time deposits with remaining maturities of less than one year represented by ineligible bankers' acceptances or obligations issued by a member bank's affiliate, as provided in § 204.1(f). However, managed liabilities do not include savings deposits, or time deposits, open account that constitute deposits of individuals, such as Christmas club accounts and vacation club accounts that are made under written contracts providing that no withdrawal shall be made until a certain number of periodic deposits have been made during a period of not less than 3 months;

(ii) any obligation with an original maturity of less than one year that is issued or undertaken as a means of obtaining funds to be used in its banking business in the form of a promissory note, acknowledgment of advance, due bill, ineligible bankers' acceptance, repurchase agreement (except on a U.S. or agency security), or similar obligation (written or oral) issued to and held for the account of a domestic banking office or agency^{15/} of another commercial bank or trust company that is not required to maintain reserves pursuant to this Part, a savings bank (mutual or stock), a building or savings and loan association, a cooperative bank, a credit union, or an agency of the United States, the Export-Import Bank of the United States, Minbanc Capital Corporation and the Government Development Bank for Puerto Rico;

(iii) any obligation with an original maturity of less than one year that is issued or undertaken as a means of obtaining funds to be used in its banking business in the form of a repurchase agreement arising from a transfer of direct obligations of, or obligations that are fully guaranteed as to principal and interest by, the United States or any agency thereof that the institution is obligated to repurchase (except repurchase agreements issued to a domestic banking office or agency of a member bank, or other organization that is required to maintain reserves under this part pursuant to the

^{15/} Any banking office or agency in any State of the United States or the District of Columbia of a bank organized under domestic or foreign law.

Federal Reserve Act,^{16/} or to a Federal Reserve Bank^{17/}) to the extent that the amount of such repurchase agreements exceeds the total amount of United States and agency securities held by the member bank in its trading account;

(iv) any obligation that arises from a borrowing by a member bank from a dealer in securities that is not a member bank or other organization that is required to maintain reserves pursuant to this Part,^{16/} for one business day, of proceeds of a transfer of deposit credit in a Federal Reserve Bank (or other immediately available funds), received by such dealer on the date of the loan in connection with clearance of securities transactions;

(v) borrowings with an original maturity of less than one year from foreign offices of other banks and from institutions that are exempt from interest rate limitations pursuant to § 217.3(g) of Regulation Q;

(vi) net balances due from the member bank's domestic offices to its foreign branches;

(vii) assets (including participations) held by the member bank's foreign branches that were acquired from the member bank's domestic offices; and

^{16/} Edge Corporations engaged in banking, Agreement Corporations, operations subsidiaries of member banks, and U.S. branches and agencies of foreign banks with worldwide banking assets in excess of \$1 billion.

^{17/} Repurchase agreements entered into with nonexempt entities, such as nonmember banks and nonbank dealers, are not subject to marginal reserve requirements if such agreements are intended to provide collateral to such nonexempt entities in order to engage in repurchase transactions with the Federal Reserve System Open Market Account.

(viii) credit outstanding from its foreign branches to U.S. residents^{18/} (other than assets acquired and net balances due from its domestic offices). Provided, That this paragraph does not apply to credit extended (1) in the aggregate amount of \$100,000 or less to any United States resident, (2) by a foreign branch which at no time during the computation period had credit outstanding to United States residents exceeding \$1 million, (3) under binding commitments entered into before May 17, 1973, or (4) to an institution that will be maintaining reserves on such credit under paragraphs (c) or (f) of this section or under Regulation K.

Provided, however, That in no event shall the reserves required on a member bank's aggregate time and savings deposits be more than 10 per cent.

(2) United States branches and agencies of foreign banks.

During the seven-day reserve maintenance period beginning November 8, 1979, a United States branch or agency of a foreign bank with worldwide banking assets in excess of \$1 billion shall maintain a daily average reserve balance against its liabilities equal to 8 per cent of the amount by which the daily average of its total managed liabilities during the three seven-day computation periods beginning October 11, 18 and 25, 1979, exceeds the total of the institution's managed

^{18/} (a) Any individual residing (at the time the credit is extended) in any State of the United States or the District of Columbia; (b) any corporation, partnership, association or other entity organized therein ("domestic corporation"); and (c) any branch or office located therein of any other entity wherever organized. Credit extended to a foreign branch, office, subsidiary, affiliate or other foreign establishment ("foreign affiliate") controlled by one or more such domestic corporations will not be deemed to be credit extended to a United States resident if the proceeds will be used in its foreign business or that of other foreign affiliates of the controlling domestic corporation(s).

liabilities base. During the seven-day reserve maintenance period beginning November 15, 1979, and during each seven-day reserve maintenance period thereafter, a United States branch or agency of a foreign bank with worldwide banking assets in excess of \$1 billion shall maintain a daily average reserve balance against its liabilities equal to 8 per cent of the amount by which the daily average of its total managed liabilities during the seven-day computation period ending eight days prior to the beginning of the corresponding seven-day reserve maintenance period exceeds the institution's managed liabilities base. In determining managed liabilities of United States branches and agencies, the managed liabilities of all United States branches and agencies of the same foreign parent bank and of its majority-owned (greater than 50 per cent) foreign banking subsidiaries (the "family") shall be consolidated. Asset and liability amounts that represent intra-family transactions between United States branches and agencies of the same family shall not be included in computing the managed liabilities of the family. United States branches and agencies of the same family shall designate one U.S. office to be the reporting office for purposes of filing consolidated family reports required for determination of the family's marginal reserve requirements. The reporting office shall file reports and maintain marginal reserves required under this section for the family at the Federal Reserve Bank of the district in which the reporting office is located. For

a family of United States branches and agencies that, on a daily average basis, is a net borrower of total managed liabilities during the fourteen-day base period ending September 26, 1979, the managed liabilities base for the family shall be the daily average of the family's total managed liabilities during the base period or \$100 million, whichever is greater. For a family of United States branches and agencies that, on a daily average basis, is a net lender of total managed liabilities during the fourteen-day base period ending September 26, 1979, the managed liabilities base for the family shall be the sum of the family's negative total managed liabilities and \$100 million. The total managed liabilities of a family are the total of each branch's and agency's

(i) (A) time deposits of \$100,000 or more with original maturities of less than one year;

(B) time deposits of \$100,000 or more with original maturities of less than one year representing borrowings in the form of promissory notes, acknowledgements of advance, due bills, or similar obligations as provided in § 204.1(f);

(C) obligations with remaining maturities of less than one year represented by ineligible bankers' acceptances.

(D) credit balances of \$100,000 or more with an original maturity of 30 days or more but less than one year. However, managed liabilities do not include savings deposits, or time deposits, open account that constitute deposits of individuals, such as Christmas club accounts and vacation club accounts that are made under written contracts providing

that no withdrawal shall be made until a certain number of periodic deposits have been made during a period of not less than 3 months;

(ii) any obligation with an original maturity of less than one year that is issued or undertaken as a means of obtaining funds to be used in its banking business in the form of a promissory note, acknowledgment of advance, due bill, ineligible bankers' acceptance, repurchase agreement (except on a U.S. or agency security), or similar obligation (written or oral) issued to and held for the account of a domestic banking office or agency^{15/} of another commercial bank or trust company that is not required to maintain reserves pursuant to this Part, a savings bank (mutual or stock), a building or savings and loan association, a cooperative bank, a credit union, or an agency of the United States, the Export-Import Bank of the United States, Minbanc Capital Corporation and the Government Development Bank for Puerto Rico;

(iii) any obligation with an original maturity of less than one year that is issued or undertaken as a means of obtaining funds to be used in its banking business in the form of a repurchase agreement arising from a transfer of direct obligations of, or obligations that are fully guaranteed

15/ Any banking office or agency in any State of the United States or the District of Columbia of a bank organized under domestic or foreign law.

as to principal and interest by, the United States or any agency thereof that the institution is obligated to repurchase (except repurchase agreements issued to a domestic banking office or agency of a member bank, or other organization that is required to maintain reserves under this Part pursuant to the Federal Reserve Act,^{16/} or to a Federal Reserve Bank^{17/}) to the extent that the amount of such repurchase agreements exceeds the total amount of United States and agency securities held by the institution in its trading account;

(iv) any obligation that arises from a borrowing from a dealer in securities that is not a member bank or other organization that is required to maintain reserves pursuant to this Part,^{16/} for one business day, of proceeds of a transfer of deposit credit in a Federal Reserve Bank (or other immediately available funds), received by such dealer on the date of the loan in connection with clearance of securities transactions;

(v) borrowings with an original maturity of less than one year from foreign offices of other banks and from institutions that are exempt from interest rate limitations pursuant to § 217.3(g) of Regulation Q;

(vi) assets (including participations) held by the foreign parent bank (including branches and agencies located outside the States of the United States and the District of

^{16/} Edge Corporations engaged in banking, Agreement Corporations, operations subsidiaries of member banks, and U.S. branches and agencies of foreign banks with worldwide banking assets in excess of \$1 billion.

^{17/} Repurchase agreements entered into with nonexempt entities, such as nonmember banks and nonbank dealers, are not subject to marginal reserve requirements if such agreements are intended to provide collateral to such nonexempt entities in order to engage in repurchase transactions with the Federal Reserve System Open Market Account.

Columbia) and by the foreign parent's majority-owned (greater than 50 per cent) foreign subsidiaries (including branches and agencies located outside the States of the United States and the District of Columbia) or parent holding company that were acquired from the U.S. branch or agency (other than assets required to be sold by the Federal supervisory authority of the branch or agency); and

(vii) net balances due to the family's foreign parent bank (including branches and agencies located outside the States of the United States and the District of Columbia) and to the foreign parent's majority-owned (greater than 50 per cent) foreign banking subsidiaries (including branches and agencies located outside the States of the United States and the District of Columbia) or parent holding company, after deducting an amount equal to 8 per cent of the U.S. branch and agency family's total assets (not including cash, cash items in the process of collection, or balances due from the foreign parent bank (including branches and agencies located outside the States of the United States and the District of Columbia), the parent's majority-owned (greater than 50 per cent) subsidiaries (including branches and agencies located outside the States of the United States and the District of Columbia) or parent holding company, and balances due from unrelated banks).

Any excess or deficiency in the marginal reserve balances required under this paragraph shall be subject to § 204.3 of this Part.

By order of the Board of Governors of the Federal Reserve
System, October 6, 1979.

(Signed) Theodore E. Allison

Theodore E. Allison
Secretary of the Board

[SEAL]

1903-1-6