

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. 8826]
May 12, 1980

CREDIT RESTRAINT PROGRAM

Additional Questions and Answers—Tenth Series

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

Printed below is the tenth series of questions and answers, representing the views of the legal staffs of the Federal Reserve Bank of New York and of the Board of Governors of the Federal Reserve System, regarding the Credit Restraint Program. This series of questions and answers deals with marginal reserves and special deposits on managed liabilities, and with the consumer credit restraint program (Subpart A of the Board's regulation on Credit Restraint).

You should note that the answer to question C-5, D-4 may require your institution to file amended managed liabilities reports. That ruling excludes foreign bank overdrafts from coverage as gross balances due from foreign offices of other institutions.

Any questions concerning the Credit Restraint Program may be directed to the persons listed in our Circular No. 8794, dated April 9, 1980.

ANTHONY M. SOLOMON,
President.

Marginal Reserves and Special Deposits on Managed Liabilities

Subpart C of Part 229 and Regulation D

C-5, D-4. Q: For purposes of determining the reduction in a bank's managed liabilities base due to a reduction in foreign loans, are overdrafts in deposit accounts at banks occurring as a consequence of clearing transactions on behalf of foreign banks to be included as "gross loans to non-United States residents and gross balances due from foreign offices of other institutions"?

A: Foreign bank overdrafts should not be included as "gross loans to non-United States residents and gross balances due from foreign offices of other institutions" for purposes of determining the reduction in the managed liabilities base. If foreign bank overdrafts were considered foreign loans in connection with reducing the base for the managed liabilities program under the procedures announced on March 14,

reductions in foreign bank overdrafts would increase the reserve or special deposit requirement on managed liabilities. An incentive would exist for banks to maintain such overdrafts at the levels occurring in the computation period ending March 12, 1980. Since the Federal Reserve is concerned that high levels of foreign bank overdrafts may constitute exposure to an undue element of risk, it would be inconsistent to require a reduction in a bank's managed liabilities base as a result of reductions in such overdrafts. The Board encourages banks to take steps to reduce over time the total amount of foreign bank overdrafts that they carry. Banks that have reported reductions in foreign loans due to reductions in foreign bank overdrafts should contact their Reserve Bank if they intend to file amended reports.

Special Deposits on Consumer Credit

Subpart A

A-90. Q: If a sale of all or substantially all of the receivables of a covered creditor is undertaken after March 14, and the selling creditor does not intend to continue to extend further covered credit of the type sold, may the purchaser acquire the proportion of the seller's base attributable to the receivables purchased, if the seller

agrees to reduce its base by the same amount?

A: Yes. The parties should notify their Reserve Banks, and the seller's base will be decreased and the purchaser's base increased by the amount of the receivables purchased.