FEDERAL RESERVE BANK
OF NEW YORK

Circular No. 8843
June 5, 1980

CREDIT RESTRAINT PROGRAM

Additional Question and Answer—Twelfth Series

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

Printed below is the twelfth in a series of questions and answers that represent 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. The following question and answer relate to the marginal reserve portion of the Credit Restraint Program.

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 — Regulation D

D-5. Q: What is the appropriate treatment under the marginal reserve program when an Edge Corporation establishes a branch or the assets and liabilities of two or more Edge Corporations are combined?

A: The treatment of offices of an Edge Corporation under the marginal reserve program should be the same as that accorded to agencies and branches of a single foreign parent bank. Therefore, for purposes of the marginal reserve program, each Edge Corporation should report its managed liabilities on a nationally aggregated basis and file one report with the Reserve Bank in the district in which the Edge Corporation's head office is located. It should be noted that the marginal reserve program is a temporary measure, and for purposes of basic reserve requirements, offices of Edge Corporations will file reports of deposits on a statewide basis as determined under the amendments to Regulation D adopted on March 19, 1980 that are effective September 4, 1980.

Each Edge Corporation should be allowed one base under the marginal reserve program. Therefore when an Edge Corporation opens a branch, there will be no increase in the Corporation's base. However, when the assets and liabilities of an existing Edge Corporation are combined with those of another Edge Corporation of the same bank, the rules for determining the base in mergers under the marginal reserve program should apply. In this case, the surviving Edge Corporation would have the option of choosing one of three bases for its national operation: (1) $100 million; (2) the base of either Edge Corporation before the combination occurred; (3) or the pro forma base of the combined Corporations recalculated with all interoffice transactions eliminated.

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