

FEDERAL RESERVE BANK
OF NEW YORK

Circular No. 8873
July 11, 1980

COMPLETION OF PHASE-OUT OF CREDIT RESTRAINT PROGRAM
Text of Federal Register Notices

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

As indicated in this Bank's Circular No. 8868, dated July 3, 1980, the Board of Governors of the Federal Reserve System has announced plans to complete the phase-out of the special credit restraint measures taken on March 14, 1980.

Enclosed is a copy of the text of the *Federal Register* notices issued by the Board of Governors terminating the reporting and special deposit requirements of the Consumer Credit Restraint Program (Subpart A) and rescinding all of Subparts A, B, C, and D of the regulation on Credit Restraint, effective on the dates specified in each of the notices. Also enclosed is a copy of the text of an amendment, effective July 24, 1980, to the Board's Regulation D, "Reserves of Member Banks," rescinding the marginal reserve requirement imposed on managed liabilities and the supplementary reserve requirement imposed on large denomination time deposits.

The Board's announcement of July 3 does not impose any new reporting requirements. The same degree of care should be exercised in preparing the final reports being submitted under the Credit Restraint Program as with the earlier reports that were submitted under the Program.

For your information, listed below are the final reports required under the Credit Restraint Program:

Consumer Credit Restraint

Report (FR 2061b) for the May computation period.

Short-Term Financial Intermediaries

Reports (FR 2063a, b, and c) for the seven-day computation period beginning July 21, 1980.

Special Credit Restraint

Bi-monthly reports (FR 2062a, b, c, and d) and quarterly report (FR 2062f) covering June 1980.

Managed Liabilities

Report for managed liabilities outstanding during the seven-day computation period beginning July 3, 1980.

Large Denomination Time Deposits

This information should continue to be included on the reports of deposits.

Additional copies of the enclosures will be furnished upon request. Questions may be directed to those persons listed in this Bank's Circular No. 8794, dated April 9, 1980.

ANTHONY M. SOLOMON,
President.

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-0318]

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 determined to rescind the marginal reserve requirement on managed liabilities of member banks (and Edge and Agreement Corporations) and United States branches and agencies of foreign banks with total worldwide consolidated bank assets in excess of \$1 billion, and the supplementary reserve requirement imposed on large denomination time deposits of member banks (and Edge and Agreement Corporations).

EFFECTIVE DATE: July 24, 1980.

FOR FURTHER INFORMATION CONTACT: Gilbert T. Schwartz, Assistant General Counsel (202/452-3625), Paul S. Pilecki, Attorney (202/452-3281), or Daniel L. Rhoads, Attorney (202/452-3711), Legal Division, Board of Governors of the Federal Reserve System, Washington, D. C. 20551.

SUPPLEMENTARY INFORMATION: On October 6, 1979, the Board of Governors amended Regulation D (12 CFR Part 204) to impose a marginal reserve requirement of 8 per cent on the amount by which the total managed liabilities of member banks (and Edge and Agreement Corporations) and United States branches and agencies of foreign banks with total worldwide consolidated bank assets in excess of \$1 billion exceeds the amount of the institution's managed liabilities outstanding during the base period (September 13-26, 1979) or \$100 million, whichever is greater (44 Fed. Reg. 60071). On March 14, 1980, the Board acted to increase the marginal reserve ratio to 10 per cent and to adjust the base of managed liabilities (45 Fed. Reg. 17924).

On May 22, 1980, the Board reduced the marginal reserve ratio to 5 per cent and generally increased the base for institutions subject to the marginal reserve requirement program (45 Fed. Reg. 37410). The Board has determined to rescind the marginal reserve requirement on managed liabilities outstanding during the seven-day computation period beginning July 10, 1980. Accordingly, institutions subject to marginal reserve requirements will not be required to maintain reserves on managed liabilities for the seven-day maintenance period beginning July 24, 1980. Marginal reserves will be required to be maintained during the seven-day period beginning July 17, 1980, for managed liabilities outstanding during the seven-day computation period beginning July 3, 1980. At the same time, the Board is eliminating the 2 per cent supplementary reserve requirement on member bank time deposits in denominations of \$100,000 or more and on certain other liabilities.

In order to achieve the objectives of this action more quickly, and because this action relieves a restriction, the Board for good cause finds that the notice, public procedure, and deferral of effective date provisions of 5 U.S.C. § 553 with regard to this action are impracticable and contrary to the public interest.

Pursuant to its 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 July 24, 1980, the Board amends Regulation D (12 CFR 204) as follows:

1. Sections 204.5(a) (1) (ii) and (2) (ii) are amended by deleting the last two sentences.
2. Section 204.5(f) is deleted in its entirety.

By order of the Board of Governors of the Federal Reserve System, July 3, 1980.

(Signed) Griffith L. Garwood

Griffith L. Garwood
Deputy Secretary of the Board

[SEAL]

TITLE 12--BANKS AND BANKING

CHAPTER II--FEDERAL RESERVE SYSTEM

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

[Docket No. R-0314]

PART 229--CREDIT RESTRAINT

[Subpart A]

Consumer Credit

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final Rule.

SUMMARY: On March 14, 1980, the Board adopted a consumer credit restraint program pursuant to the Credit Control Act as implemented by Executive Order 12201. In view of current economic conditions, the Board is terminating the reporting and special deposit requirements of the consumer credit restraint program. The provisions regarding change in terms of open-end and 30-day credit accounts will remain temporarily in effect in order to permit the orderly phase-out of those provisions.

EFFECTIVE DATE: July 24, 1980.

FOR FURTHER INFORMATION CONTACT: Margaret Egginton, Attorney (202/452-2489), Legal Division; or Margaret A. Stewart, Senior Attorney (202/452-2412), Division of Consumer and Community Affairs, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

SUPPLEMENTARY INFORMATION: On March 14, 1980, the Board adopted a consumer credit restraint regulation (12 C.F.R. Part 229, Subpart A; 45 Fed. Reg. 17927, March 19, 1980) pursuant to the Credit Control Act (12 U.S.C. §§ 1901-1909) as implemented by Executive Order 12201. The regulation requires certain creditors to maintain a special deposit with the Federal Reserve against increases in the creditor's outstanding covered credit over the creditor's base. As originally promulgated, the regulation required a deposit equal to 15 per cent of the increase in a creditor's covered credit. On May 22, 1980 the Board reduced the special deposit requirement, to 7-1/2 per cent (45 Fed. Reg. 37413, June 3, 1980). In view of current economic conditions, the Board is rescinding the consumer credit special deposit and reporting requirements effective July 24, 1980. Reports for credit outstanding during the month of June 1980, that are to be filed by July 14, 1980, will not be required.

On April 2, 1980, the Board amended its consumer credit restraint regulation to provide a uniform, national rule to govern certain changes

by creditors in the terms of their open-end and 30-day credit agreements (12 C.F.R. § 229.6; 45 Fed. Reg. 24444, April 10, 1980). The rule requires that a creditor give an affected consumer at least 30-days notice of the change in terms and permit the consumer to pay down the outstanding account balance according to the original contract terms. The rule provides, further, that use by the consumer of the account after the effective date of the change is deemed acceptance of the new terms, which can then be applied to both existing credit balances and new credit advances.

The Board is aware that some creditors are in the process of changing terms according to the consumer credit restraint program's rules. In order to provide an orderly phase-out of this aspect of the program, the Board is amending § 229.6 of the regulation to provide a transition period during which a creditor may adopt changes in account terms pursuant to the consumer credit restraint rules. The amendment provides that creditors desiring to change terms under § 229.6 must mail or deliver notice of the change on or before September 5, 1980.

For a change in terms made during the transition period, the date on which a creditor mails or delivers a notice to the individual account holder will determine the applicable legal requirements. For example, if a creditor mails or delivers a change of terms notice pursuant to the consumer credit restraint regulation on or before September 5, 1980, the notice will be effective according to its term even though the account holder receives the notice, uses the account or otherwise assents to the change after September 5, 1980. Any change-in-terms notice that is mailed or delivered after September 5, 1980 must comply with the requirements of Regulation Z (Truth-in-Lending, 12 C.F.R. 226.7(f)) and any other applicable Federal or State law.

The Board believes that these amendments facilitate the orderly termination of the consumer credit restraint program and do not impose any additional burden on affected parties. The Board therefore for good cause finds that the notice, public procedure and delayed effective date provisions of 5 U.S.C. § 553 with regard to this action are unnecessary and that immediate implementation is in the public interest.

Pursuant to its authority under the Credit Control Act (12 U.S.C. §§ 1901-1909) as implemented by Executive Order 12201, the Board hereby takes the following actions:

1. Effective July 24, 1980, 12 C.F.R. Part 229, Subpart A is amended as follows:

a) Sections 229.3 and 229.4 are removed and reserved.

SECTION 229.3 -- [Reserved.]

SECTION 229.4 -- [Reserved.]

b) Paragraph (d) is added to Section 229.6 as follows:

SECTION 229.6 -- Change in Terms of Open-End Credit Accounts

* * * * *

(d) (1) A change in terms is effective under this section, only if notice of such change is mailed or delivered on or before September 5, 1980.

(2) A change-in-terms notice that is mailed or delivered after September 5, 1980, is not subject to this Subpart and must comply with the requirements of Regulation Z (12 C.F.R. 226.7(f)) and other applicable Federal or State law.

2. Effective October 31, 1980, 12 C.F.R. Part 229, Subpart A, §§ 229.1 through 229.6 are rescinded.

By order of the Board of Governors of the Federal Reserve System, July 3, 1980.

(signed) Griffith L. Garwood

Griffith L. Garwood
Deputy Secretary of the Board

[SEAL]

TITLE 12--BANKS AND BANKING

CHAPTER II--FEDERAL RESERVE SYSTEM

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

[Docket No. R-0315]

PART 229--CREDIT RESTRAINT

[Subpart B]

Short Term Financial Intermediaries

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Rescission of regulation.

SUMMARY: On March 14, 1980, the Board adopted this Subpart pursuant to the Credit Control Act (12 U.S.C. §§ 1901-1909), as implemented by Executive Order 12201, to restrain the expansion of short term credit through money market funds and other similar creditors. In view of current economic conditions, the Board has determined to rescind this Subpart.

EFFECTIVE DATE: August 11, 1980.

FOR FURTHER INFORMATION CONTACT: Gilbert T. Schwartz, Assistant General Counsel (202/452-3625), or Daniel L. Rhoads, Attorney (202/452-3711), Legal Division, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

SUPPLEMENTARY INFORMATION: On March 14, 1980, the Board adopted this Subpart pursuant to the Credit Control Act (12 U.S.C. §§ 1901-1909), as implemented by Executive Order 12201, to restrain the expansion of short term credit through money market funds and similar creditors (45 Fed. Reg. 17930). This Subpart was subsequently amended by the Board on March 28, 1980 (45 Fed. Reg. 23642). On May 23, 1980, the Board acted to decrease the special deposit ratio from 15 per cent to 7-1/2 per cent (45 Fed. Reg. 37414). In view of current economic conditions, the Board has determined to rescind this Subpart. Covered creditors will not be required to maintain a special deposit pursuant to this Subpart for covered credit outstanding during the seven-day period beginning July 28, 1980. Accordingly, the special deposit required during the seven-day maintenance period beginning August 4, 1980, for covered credit outstanding during the seven-day computation period beginning July 21, 1980, will be the last special deposit required to be maintained pursuant to this Subpart.

In order to achieve the objectives of this action more quickly, and because this action relieves a restriction, the Board for good cause finds that the notice and public procedure provisions of 5 U.S.C. § 553 with regard to these actions are impracticable and contrary to the public interest.

Pursuant to its authority under the Credit Control Act (12 U.S.C. §§ 1909) effective August 11, 1980, the Board hereby rescinds Subpart B of its Credit Restraint regulation (12 C.F.R. Part 229).

By order of the Board of Governors of the Federal Reserve System, July 3, 1980.

(Signed) Griffith L. Garwood

Griffith L. Garwood
Deputy Secretary of the Board

[SEAL]

TITLE 12 -- BANKS AND BANKING

CHAPTER II -- FEDERAL RESERVE SYSTEM

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

[Docket No. R-0316]

Part 229 -- CREDIT RESTRAINT

[Subpart C]

Nonmember Commercial Banks

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Rescission of regulation.

SUMMARY: On March 14, 1980, the Board adopted this Subpart pursuant to the Credit Control Act (12 U.S.C. §§ 1901-1909), as implemented by Executive Order 12201, to restrain the expansion of credit through non-member commercial banks. In view of current economic conditions, the Board has determined to rescind this Subpart.

EFFECTIVE DATE: July 24, 1980.

FOR FURTHER INFORMATION CONTACT: Gilbert T. Schwartz, Assistant General Counsel (202/452-3625), Paul S. Pilecki, Attorney (202/452-3281), or Daniel L. Rhoads, Attorney (202/452-3711), Legal Division, Board of Governors of the Federal Reserve System, Washington, D. C. 20551.

SUPPLEMENTARY INFORMATION: Pursuant to the Credit Control Act (12 U.S.C. §§ 1901-1909), as implemented by Executive Order 12201, the Board adopted this Subpart on March 14, 1980, requiring commercial banks that are not members of the Federal Reserve System or not required to maintain reserves under the Federal Reserve Act to maintain a noninterest bearing special deposit with the Federal Reserve equal to 10 per cent of the amount by which the total managed liabilities of those banks exceeds the amount of such managed liabilities outstanding during a base period (45 Fed. Reg. 17934). On May 22, 1980, the Board acted to decrease the special deposit ratio to 5 per cent and to increase, generally, an institution's managed liabilities base (45 Fed. Reg. 37413).

In view of current economic conditions, the Board has determined to rescind the special deposit requirement for banks subject to this Subpart. A special deposit will not be required for managed liabilities outstanding during the seven-day computation period beginning July 10, 1980, or thereafter. Consequently, the special deposit required to be maintained during the seven-day maintenance period beginning July 17, 1980, for the seven-day computation period beginning July 3, 1980, will be the last special deposit required pursuant to this Subpart.

In order to achieve the objectives of this action more quickly, and because this action relieves a restriction, the Board for good cause finds that the notice, public procedure, and deferral of effective date provisions of 5 U.S.C. § 553 with regard to this action are impracticable and contrary to the public interest.

Pursuant to its authority under the Credit Control Act (12 U.S.C. §§ 1901-1909) effective July 24, 1980, the Board hereby rescinds Subpart C of its Credit Restraint regulation (12 C.F.R. Part 229).

By order of the Board of Governors of the Federal Reserve System, July 3, 1980.

(Signed) Griffith L. Garwood

Griffith L. Garwood
Deputy Secretary of the Board

[SEAL]

TITLE 12--BANKS AND BANKING

CHAPTER II--FEDERAL RESERVE SYSTEM

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

[Docket No. R-0317]

PART 229--CREDIT RESTRAINT

[Subpart D]

Reports Under Special Credit Restraint Program

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Rescission of regulation.

SUMMARY: The Board is terminating the reporting requirements that U.S. commercial banks, U.S. branches and agencies of foreign banks, U.S. bank holding companies, finance companies, and certain other selected corporations are required to file in view of the phase-out of the Board's voluntary Special Credit Restraint Program.

EFFECTIVE DATE: July 28, 1980.

FOR FURTHER INFORMATION CONTACT: Gilbert T. Schwartz, Assistant General Counsel (202/452-3625), Joseph R. Alexander, Attorney (202/452-3582), Legal Division, or Eleanor J. Stockwell, Senior Deputy Associate Director (202/452-3651), Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

SUPPLEMENTARY INFORMATION: On March 14, 1980, the Board announced a voluntary Special Credit Restraint Program to encourage lenders to restrain credit by limiting growth in total loans and investments to a range between six and nine per cent per year. This subpart was adopted on March 28, 1980 (45 Fed. Reg. 22883), to require periodic reports from selected financial and non-financial organizations. In view of current economic conditions, the Board is phasing out its voluntary Special Credit Restraint Program and is rescinding the reporting requirements of this Subpart effective July 28, 1980. Reports to be filed before July 28, 1980, for lending activities during the month of June will be required to be submitted to the Federal Reserve Banks.

In order to achieve the objectives of this action more quickly and because this action relieves a restriction, the Board for good cause finds that the notice and public procedure provisions of 5 U.S.C. § 553 with regard to these actions are impracticable and contrary to the public interest.

Pursuant to its authority under the Credit Control Act (12 U.S.C. §§ 1901-09) effective July 28, 1980, the Board hereby rescinds Subpart D of its Credit Restraint regulation (12 C.F.R. Part 229).

By order of the Board of Governors of the Federal Reserve System, July 3, 1980.

(signed) Griffith L. Garwood

Griffith L. Garwood
Deputy Secretary of the Board

[SEAL]

AGENCY: Board of Governors of the Federal Reserve System.
ACTION: Rescission of regulation.
SUMMARY: The Board is rescinding the reporting requirements that U.S. commercial banks, U.S. branches and agencies of foreign banks, U.S. bank holding companies, U.S. trust companies, and certain other related corporations are required to file in view of the Board's voluntary Special Credit Restraint Program.
EFFECTIVE DATE: July 30, 1980.
FOR FURTHER INFORMATION CONTACT: Gilbert W. Bohrer, Assistant Secretary (202) 452-2627, James E. Alexander, Attorney (202) 452-2627, Legal Division or Eleanor J. Broome, Senior Deputy Assistant Director (202) 452-2627, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.
SUPPLEMENTARY INFORMATION: On March 14, 1980, the Board announced a voluntary Special Credit Restraint Program to encourage lenders to restrict credit by limiting growth in total loans and investments to a range between six and nine per cent per year. This subject was adopted on March 28, 1980 (49 Fed. Reg. 13283), to require periodic reports from selected financial and non-financial organizations. In view of current economic conditions, the Board is phasing out its voluntary Special Credit Restraint Program and is rescinding the reporting requirements of this subject effective July 30, 1980. Reports to be filed before July 30, 1980, for lending activities during the month of June will be required to be submitted to the Federal Reserve banks.
In order to achieve the objectives of this action more quickly and because this action relieves a restriction, the Board for good cause finds that the notice and public procedure provisions of 5 U.S.C. § 551 with regard to these actions are impracticable and contrary to the public interest.