

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 8877]
July 16, 1980

RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS

Extension of Effective Dates of Certain
Exemption Provisions of Proposed Regulation D

To All Depository Institutions in the Second Federal Reserve District:

The Board of Governors of the Federal Reserve System has announced changes in its proposed Regulation D, "Reserve Requirements of Depository Institutions," that would extend the period—from July 15, 1980 to September 1, 1980—during which action may be taken to exempt certain time deposits from the applicability of the proposed regulation. The deadline for receipt of comments on the proposal (July 15) was not changed.

The following is quoted from the text of the Board's announcement:

The revision changes the date—from July 15 to September 1, 1980—on which, for reserve requirement purposes, a depository institution issuing a time deposit agreement to and for the benefit of a natural person must affix to the agreement a legend that the time deposit instrument is not transferable. Such a legend has the effect of making the deposit a personal time deposit exempt from the reserve requirements applying to non-personal time deposits.

In proposals made in early June for the general overhaul of reserve requirement rules under the Monetary Control Act of 1980, the Board proposed that time deposits issued to natural persons before July 15 in amounts less than \$100,000 would be regarded as personal time deposits even if they were transferable. At the request of depositories for more time to alter the face of their time deposit agreements, the Board has extended this period to September 1.

Printed on the following pages is the text of the official notice of the Board's action. Note that the instructions for making the appropriate changes relate to the proposed regulation as it appeared in the June 9th *Federal Register*. For those of you who have the typewritten version of that *Federal Register* document, the changes should be made on pages 5 and 26 of that notice.

ANTHONY M. SOLOMON,
President.

Re Cir. No. 8844, dated June 6, 1980.
(44-page F.R. Press Release,
dated June 4, 1980)

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

[12 CFR Part 204]

(Docket No. R-0306)

Revision of Notice of Proposed Rulemaking

RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Revision to proposed rulemaking.

SUMMARY: The Board of Governors has revised its proposed Regulation D, Reserve Requirements of Depository Institutions (12 CFR Part 204) (45 Fed. Reg. 38388) to change the date on which a depository institution would be required to include a specific statement on the face of a time deposit instrument issued to and held by a natural person that it is not transferable in order for the time deposit to be regarded as a personal time deposit exempt from reserve requirements. This date has been changed from July 15, 1980 to September 1, 1980.

DATE: The proposed regulation is amended effective July 11, 1980; however, the public comment period on proposed Regulation D shall terminate on July 15, 1980.

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

SUPPLEMENTARY INFORMATION: On June 4, 1980, the Board published for public comment a proposed Regulation D--Reserve Requirements of Depository Institutions (12 CFR Part 204) (45 Fed. Reg. 38388) to implement the reserve requirement provisions of the Monetary Control Act of 1980 (Title I of P. L. 96-221). The Act imposes Federal reserve requirements on all depository institutions that maintain transaction accounts or nonpersonal time deposits.

The Act defines "nonpersonal time deposit" as a transferable time deposit or a time deposit representing funds deposited to the credit of or in which any beneficial interest is held by a depositor which is not a natural person. A nontransferable time deposit in which the entire beneficial interest is held by and is deposited solely to the credit of a natural person would not be subject to reserve requirements. Accordingly, time deposits, including credit union share certificates, that are issued in transferable form could be regarded as nonpersonal time deposits because of the transferability feature.

Since the provision in the Act was intended to prevent the evasion of reserve requirements through the transfer of time deposits from individuals to organizations or governmental units, the Board proposed to exclude from the definition of nonpersonal time deposits a time deposit issued to a natural person on or after July 15, 1980, only if it includes on the face of the deposit instrument a specific statement that it is not transferable. A time deposit issued before July 15, 1980, to a natural person in a denomination of less than \$100,000 would be regarded as a personal time deposit even if it were transferable.

The Board has received a significant number of comments from depository institutions that they are unable to indicate on their time deposits by July 15, 1980, that they are not transferable. Consequently, in order to avoid any undue hardships to depository institutions in meeting this requirement, the Board is revising its proposed definition of nonpersonal time deposits by changing the date on or after which a statement that a time deposit issued to and held by a natural person must include a statement that it is not transferable in order to be exempt from reserve requirements on nonpersonal time deposits from July 15, 1980 to September 1, 1980.

In addition, the Board has received questions concerning the definition of "transferable" for purposes of Regulation D. At the time final action is taken on the proposed regulation, the Board will clarify the specific types of transactions that would be regarded as transfers under Regulation D.

Pursuant to authority under section 19 of the Federal Reserve Act (12 U.S.C. § 461 et seq.) as amended by the Monetary Control Act of 1980 (Title I, P. L. 96-221; 94 Stat. 132), the Board revises Federal Register Doc. No. 80-17449 which appeared in the edition for Tuesday, June 9, 1980, as follows:

1. At vol. 45, page 38390, in the second column at the bottom by striking out "July 15, 1980" in both places that it appears and inserting in lieu thereof "September 1, 1980".

2. At vol. 45, page 38396, in the third column, by striking out in §§ 204.2(f) (3) and (4) of proposed Regulation D "July 15, 1980" in both places that it appears and inserting in lieu thereof "September 1, 1980".