

FEDERAL RESERVE BANK
OF NEW YORK

Circular No. 8886
July 28, 1980

PHASE-OUT OF CREDIT RESTRAINT PROGRAM
Return of Special Deposits to Money Market Mutual Funds

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

The following statement was issued on July 25 by the Board of Governors of the Federal Reserve System:

The Federal Reserve Board announced today that it will return on July 28 to money market mutual funds and like creditors some \$573 million of special deposits they have made with the Federal Reserve under the requirements of the Board's Credit Restraint Program initiated March 14 and now being phased out.

The special deposit requirements of the program called in part for money market mutual funds to deposit with the Federal Reserve 15 percent of the increases in their assets covered by the program. This was reduced effective June 16 to 7-1/2 percent. On July 3, the Board announced that the program is no longer needed in light of developments in the economy, and said that the special deposit requirement for money market mutual funds would be eliminated and that deposits would be returned on August 11.

Because of technical considerations described in the attached notice, relating to the return of the special deposits as originally proposed, the Board decided to return the deposits two weeks earlier than previously scheduled.

Enclosed is the text of the *Federal Register* notice regarding the return of the special deposits. Questions on this matter may be directed to this Bank's Statistics Department (Tel. No. 212-791-6300).

ANTHONY M. SOLOMON,
President.

TITLE 12--BANKS AND BANKING

CHAPTER II--FEDERAL RESERVE SYSTEM

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

[Docket No. R-0320]

PART 229--CREDIT RESTRAINT

[Subpart B]

Short Term Financial Intermediaries

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final Rule.

SUMMARY: On July 3, 1980, the Board announced the termination of its special deposit requirement on money market mutual funds and other similar creditors, effective August 11, 1980. Comments received have indicated potential operational difficulties arising from the maintenance of the special deposits until August 11, 1980. In view of these concerns, the Board has determined that all special deposits maintained by covered creditors will be returned on July 28, 1980, and no deposits will be required to be maintained thereafter.

EFFECTIVE DATE: July 28, 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 July 3, 1980, the Board announced the termination of the credit restraints imposed on short term financial intermediaries under the Credit Control Act (12 U.S.C. §§ 1901-1909), as implemented by Executive Order 12201 (45 Fed. Reg. 46337). The effective date of this action was to be August 11, 1980, after which time a creditor subject to this Subpart would not be required to maintain a special deposit with the Federal Reserve System. In view of significant operational problems that may arise from the rescission of the special deposit requirement on that date, the Board has determined to terminate this Subpart effective July 28, 1980. Accordingly, special deposits will not be required to be maintained after July 28, 1980.

In view of the need to make this action effective on July 28, 1980, 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

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(Over)

contrary to the public interest.

Pursuant to its authority under the Credit Control Act (12 U.S.C. §§ 1901-1909) effective July 28, 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 25, 1980.

(Signed) Griffith L. Garwood

Griffith L. Garwood
Deputy Secretary of the Board

[SEAL]