

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 9053]
April 14, 1981

AMENDMENT TO REGULATION D

Exemption for Funds of Deferred Compensation Plans

*To All Depository Institutions, and Others Concerned,
in the Second Federal Reserve District:*

The Board of Governors of the Federal Reserve System has amended its Regulation D, "Reserve Requirements of Depository Institutions," to exempt from reserve requirements certain kinds of time deposits representing funds of deferred compensation plans.

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

Deferred compensation plans allow delayed receipt of presently earned income to a future time and the Board's action is thus expected to result in more even application of reserve requirements to time deposits representing retirement income.

The exemption is for nontransferable time deposits held by an employer as part of an unfunded deferred compensation plan established in conformity with Subtitle D of the Internal Revenue Act of 1978. Under the Board's ruling, such time deposits will be regarded as personal time deposits and will consequently be free of reserve requirements. Previously, time deposits representing unfunded deferred compensation plans had been regarded as nonpersonal time deposits subject to reserve requirements. An unfunded deferred compensation plan is one in which the deposits are held by the employer rather than being placed in a trust or being similarly "funded."

Enclosed is the text of the amendment, effective April 30, 1981, to Regulation D. Questions may be directed to our Accounting Department (Tel. No. 212-791-5249 or 5250).

ANTHONY M. SOLOMON,
President.

Board of Governors of the Federal Reserve System
RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS
AMENDMENT TO REGULATION D

(effective April 30, 1981)

Time Deposits of Deferred Compensation Plans

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final rule.

SUMMARY: The Board of Governors of the Federal Reserve System has amended its Regulation D -- Reserve Requirements of Depository Institutions (12 CFR Part 204), which imposes federal reserve requirements on depository institutions that maintain transaction accounts or nonpersonal time deposits. Under the amendment, nontransferable time deposits representing funds of deferred compensation plans established pursuant to subtitle D of the Revenue Act of 1978, Pub. L. No. 95-600, 92 Stat. 2763 (1978), will be regarded as personal time deposits, and thus will not be subject to reserve requirements.

EFFECTIVE DATE: April 30, 1981. Depository institutions may begin reporting time deposits of deferred compensation accounts as personal time deposits during the computation period beginning that date.

FOR FURTHER INFORMATION CONTACT: Gilbert T. Schwartz, Associate General Counsel (202/452-3625), Paul S. Pilecki, Senior Attorney (202/452-3281), or Joseph R. Alexander, Attorney (202/452-2489), Legal Division, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

SUPPLEMENTARY INFORMATION: The Monetary Control Act of 1980 (Title I of Pub. L. No. 96-221, 94 Stat. 132) (the "Act"), authorizes the Federal Reserve to impose reserve requirements solely for the purpose of conducting monetary policy on all depository institutions that maintain transaction accounts or nonpersonal time deposits. Under Regulation D -- Reserve Requirements of Depository Institutions (12 CFR Part 204), which implements the provisions of the Act, "nonpersonal time deposits" are defined as transferable time deposits or accounts, or time deposits or accounts which represent funds deposited to the credit of, or in which any beneficial interest is held by, a depositor that is not a natural person. In adopting Regulation D to implement the Act, the Board determined that IRA and Keogh Plan time deposits and time deposits held by trustees and other fiduciaries should be regarded as personal time deposits where the entire beneficial interest is held by natural

For this Regulation to be complete, retain:

- 1) Regulation D, as revised effective November 13, 1980.
- 2) Supplement to Regulation D, effective November 13, 1980 (*Corrected Copy*).
- 3) Amendments effective November 13, 1980, December 1, 1980, December 11, 1980, and January 15, 1981.
- 4) This slip sheet.

persons, even though the funds technically may be held in the name of a trustee who is not a natural person (12 CFR § 204.2(f)). The Board has determined that time deposit accounts held pursuant to unfunded deferred compensation plans of state and local governments and certain private employers authorized by subtitle D of the Revenue Act of 1978, Pub. L. No. 95-600, 92 Stat. 2763 (1978), also should be regarded as personal time deposits for purposes of Regulation D, notwithstanding the IRS requirement that such funds remain solely the property of the sponsoring organization subject only to the claims of its general creditors. Therefore, the Board is amending Regulation D to exempt such accounts from the definition of nonpersonal time deposits. It should be noted that nontransferable time deposits of funded deferred compensation plans generally are regarded as personal time deposits under Regulation D at present as funds held by a trustee or other fiduciary.

The Board believes that this amendment will result in more even application of reserve requirements on time deposits of various types of retirement income arrangements. Consequently, the Board, for good cause, finds that the notice and public procedure provisions of 5 U.S.C. § 553(b) with regard to this action are contrary to the public interest, and that deferral of the effective date pursuant to 5 U.S.C. § 553(d) is not necessary.

Effective April 30, 1981, pursuant to the Board's authority under section 19 of the Federal Reserve Act, 12 U.S.C. § 461 et seq., section 204.2(f), subparagraph (2) of Regulation D (12 CFR Part 204) is amended to read as follows:

SECTION 204.2 -- DEFINITIONS

* * * * *
(f) * * *

(2) "Nonpersonal time deposit" does not include nontransferable time deposits to the credit of or in which the entire beneficial interest is held by an individual pursuant to an Individual Retirement Account or Keogh (H.R. 10) Plan under 26 U.S.C. (I.R.C. 1954) §§ 408, 401, or nontransferable time deposits held by an employer as part of an unfunded deferred compensation plan established pursuant to subtitle D of the Revenue Act of 1978 (Pub. L. No. 95-600, 92 Stat. 2763).

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By order of the Board of Governors, April 10, 1981.

(Signed) James McAfee

James McAfee
Assistant Secretary of the Board

[SEAL]