

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. 9405]
[November 22, 1982]

REVISED TEMPORARY AMENDMENT TO REGULATION D

Reserve Requirements on Certain Time Deposits Linked to Lines of Credit

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

The Board of Governors has issued a revision to its temporary amendment to Regulation D, "Reserve Requirements of Depository Institutions," the text of which was sent to you with our Circular No. 9381, dated October 13, 1982. Following is the text of the statement issued by the Board of Governors announcing the revision:

The Federal Reserve Board has revised a temporary amendment to its Regulation D — Reserve Requirements of Depository Institutions — adopted October 5 that made certain time deposits subject to the reserve requirements that apply to transaction accounts. The amendment affected time deposits linked to a line of credit on which checks or similar third party transfers may be drawn.

The amendment exempted such time deposit arrangements established before October 5, 1982, but provided that if such a grandfathered deposit is extended, or matures and is renewed, the funds will become subject to the reserve requirements that apply to transaction accounts.

The Board has determined to expand the grandfather provisions of the amendment by exempting from the definition of transaction account such time deposits that mature and automatically renew on or before December 31, 1982. This action was taken to avoid adversely affecting, pending final Board action, some institutions that the Board has been advised have been unable to exercise options to terminate such arrangements.

The expansion will provide institutions time to decide whether to terminate these arrangements and to notify depositors of any such decisions.

It will also allow institutions to offer, as an alternative to these arrangements, the new money market deposit approved, effective December 14, by the Depository Institutions Deregulation Committee (DIDC).

The Board is continuing to accept comment on the temporary amendment through December 3, 1982.

The revision of the amendment is effective October 5, 1982.

Enclosed is a copy of the text of the revised amendment to Regulation D, also effective October 5, 1982. Comments on the amendment, which is being adopted on a temporary basis by the Board in order to allow for a comment period on the technical aspects of the ruling, should still be submitted by December 3, 1982, and may be sent to our Consumer Affairs and Bank Regulations Department.

ANTHONY M. SOLOMON,
President.

Board of Governors of the Federal Reserve System

RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS

AMENDMENT TO REGULATION D

(effective October 5, 1982)

TRANSACTION ACCOUNTS

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Amendment to temporary rule.

SUMMARY: Effective October 5, 1982, the Board of Governors adopted a temporary amendment to Regulation D--Reserve Requirements of Depository Institutions (12 CFR Part 204) to define as transaction accounts, time deposits issued in connection with an agreement that permits the depositor to obtain credit by check or similar devices for the purpose of making payments or transfers to third persons or others. Under the amendment, time deposits subject to such arrangements established prior to October 5, 1982, are not regarded as transaction accounts until the deposit is extended, or matures and is renewed. The Board has determined that it is appropriate to expand these grandfather provisions by exempting from the definition of transaction accounts such time deposits that will automatically renew on or before December 31, 1982.

EFFECTIVE DATE: October 5, 1982.

FOR FURTHER INFORMATION CONTACT: Gilbert T. Schwartz, Associate General Counsel (202/452-3625), Paul S. Pilecki, Senior Attorney (202/452-3281), or Beverly A. Belcamino, Legal Assistant (202/452-3623), Legal Division, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

SUPPLEMENTARY INFORMATION: Effective October 5, 1982, the Board amended Regulation D--Reserve Requirements of Depository Institutions (12 CFR Part 204) to define as transaction accounts, time deposits issued in connection with an arrangement that permits the depositor to obtain credit, directly or indirectly, through the drawing of a check, draft or similar device that can be used for the purpose of making payments or transfers to third persons or others. (47 Federal Register 44992). In this connection, the Board also determined that it would be appropriate to grandfather time deposits subject to such arrangements established prior to October 5, 1982. However, the amendment provides that if the deposit maintained in connection with the line of credit is extended, or matures and is renewed, the funds will become subject to transaction account reserve requirements. The amendment was adopted on a temporary basis and the Board is requesting comment until December 3, 1982, on whether any additional arrangements should be covered by this amendment and whether any arrangements should be eliminated from the scope of the amendment before it is adopted in final form.

Since the date of the Board's action, the Board has been advised that some institutions offering such arrangements have been unable to exercise options to terminate such arrangements. In order to insure that

these institutions will not be adversely affected pending the Board's consideration of whether or not to adopt the temporary amendment in permanent form, the Board has determined to expand the grandfather provisions of the amendment by exempting from the definition of transaction accounts time deposits subject to such arrangements that are scheduled to mature and automatically renew on or before December 31, 1982. This will provide institutions with sufficient time to notify depositors that the related credit arrangements will be terminated, if an institution so chooses. Expansion of this provision also will allow institutions to offer the money market time deposit mandated by the Garn-St Germain Depository Institutions Act of 1982 (P.L. 97-320; 96 Stat. 1469) as an alternative to their existing arrangements.

Because this action modifies a temporary amendment for which public comment is being received until December 3, 1982, the Board finds good cause exists for dispensing with the notice and public participation provisions of 5 U.S.C. § 553(b). Because this action relieves a restriction the Board finds good cause for making this action effective immediately.

List of Subjects in 12 CFR Part 204

Banks, banking; Currency; Federal Reserve System; Penalties; Reporting requirements.

Pursuant to its authority under section 19(b) of the Federal Reserve Act (12 U.S.C. § 461(b)), effective October 5, 1982, the Board amends Regulation D (12 CFR Part 204) by revising paragraph (e) of section 204.2 to read as follows:

SECTION 204.2--DEFINITIONS

* * * * *

(e) * * *

(7) deposits or accounts maintained in connection with an arrangement that permits the depositor to obtain credit directly or indirectly through the drawing of a negotiable or nonnegotiable check, draft, order or instruction or other similar device (including telephone or electronic order or instruction) on the issuing institution that can be used for the purpose of making payments or transfers to third persons or others, or to a deposit account of the depositor. Deposits that are subject to arrangements established before October 5, 1982, will not be regarded as transaction accounts (i) until the deposit issued in connection with the line of credit is extended, or matures and is renewed, or (ii) if the deposit issued in connection with the line of credit matures and is automatically renewed on or before December 31, 1982.

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By order of the Board of Governors, November 16, 1982.

William W. Wiles
Secretary of the Board