

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK, N.Y. 10045-0001

AREA CODE 212 720-5692

ROBERT A. O'SULLIVAN
SENIOR VICE PRESIDENT

AT-10788(a)
June 26, 1995

**TO THE CHIEF EXECUTIVE OFFICERS OF ALL MEMBER BANKS
THAT HAVE A FOREIGN BRANCH**

SUBJECT: Deposits Held in Foreign Branches of U.S. Banks

Under prior Federal Reserve policy, U.S. banks had been discouraged from soliciting deposits in their foreign branches from U.S. residents, unless the deposit was for an international purpose. The policy was formally communicated to member banks through letters from previous Federal Reserve chairmen and through published Federal Reserve Regulation D Rulings and Opinions. It also was included in letters of approval for establishing foreign branches pursuant to Regulation K.

The Federal Reserve Board has reviewed this policy in light of the regulatory and financial changes that have occurred since the policy guidance was issued. The Board determined that the reasons for this policy are no longer valid and has decided to delete the relevant language from foreign branch approval letters and to rescind those portions of opinion letters pursuant to Regulation D that refer to these policies.

A member bank with foreign branches established pursuant to Regulation K is expected, however, to inform its U.S. customers with deposits in foreign branches that such deposits are not insured by the FDIC, have lesser preference than domestic deposits in a liquidation, and are subject to cross-border risks.

If there are any questions regarding this matter, please contact Albert J. Rubbo, Assistant Vice President, Financial Examinations Department (Tel. No. 212-720-5240).

Sincerely,

