Foreign Currency Deposits at U.S. Banks

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

The Board of Governors of the Federal Reserve System has decided that depository institutions should not be discouraged from offering foreign currency deposits in the United States after December 31, 1989. In this connection, printed on the reverse side is a copy of a letter, dated December 27, 1988, advising the Federal Reserve Bank of Chicago of the Board’s action.

Questions regarding this matter may be directed to Irwin D. Sandberg, Senior Vice President, Foreign Relations Function (Tel. No. 212-720-6080) or to Thomas P. McQueeney, Assistant Chief Examiner (Tel. No. 212-720-7934).

E. Gerald Corrigan,
President.
December 27, 1988

Mr. Silas Keehn  
President  
Federal Reserve Bank of Chicago  
230 South La Salle Street  
Chicago, Illinois 60690

Dear President Keehn:

In your letter of April 25, 1988 to Mr. Truman, you asked for guidance on the position you should take in responding to requests for maintaining foreign currency deposits in U.S. banking offices.

In 1973, in a letter to the Bank of America, Chairman Burns expressed the Board's view that banks should not provide foreign currency deposits in the United States at that time. This policy has been reiterated subsequently, but it had not been formally reviewed in many years. Your letter encouraged the Board to undertake such a review.

The Board has concluded, as you did in your letter, that in light of the globalization of financial market transactions and of financial innovations that have evolved, depository institutions should not be discouraged from offering foreign currency deposits in the United States after December 31, 1989. The Board does not anticipate a significant demand for foreign currency deposits, in part because of the availability of competing instruments and also because the foreign currency deposits would be subject to reserve requirements.

Sincerely yours,

William W. Wiles  
Secretary