

during each week of each of successive 4-week maintenance period, a member bank having one or more foreign branches shall maintain with the Reserve Bank of its district, as a reserve against its foreign branch deposits, a daily average balance equal to 10 percent of the amount by which daily average credit outstanding from such branches to U.S. residents* (other than assets acquired and net balances due from its domestic offices), during the 4-week computation period ending on the Wednesday, 15 days before the beginning of the maintenance period, exceeds either the corresponding daily average total during the 4-week period ending May 28, 1969 or the total outstanding on June 25 or 26, 1969: *Provided*, That this paragraph does not apply to credit extended (1) by a foreign branch which at no time during the computation period had credit outstanding to United States residents' exceeding \$5 million, (2) to enable the borrower to comply with requirements of the Office of Foreign Direct Investments, Department of Commerce,¹⁰ or (3) under binding commitments entered into before June 27, 1969.

2a. By notice of proposed rule making dated June 26, 1969 (FEDERAL REGISTER of July 3, 1969, 34 F.R. 11214), the Board of Governors proposed to amend §§ 204.1 (f) (1) and 204.5 of this chapter (Regulation D) and to add a new § 213.7 to Part 213 of this chapter (Regulation M) in order to remove a special advantage to member banks of using foreign funds (primarily Euro-dollars) for adjustment to domestic credit restraint. The general purpose of such amendments as proposed was to establish a 10 percent reserve requirement against deposits to the extent of—

(1) Borrowings by domestic offices of member banks from their foreign branches and assets of foreign branches acquired from domestic offices of the parent member banks, to the extent such borrowings and assets exceed either the daily average amounts outstanding in the 4 weeks ending May 28, 1969, or 3 percent of deposits subject to reserve requirements;

(2) Credit extended by foreign branches of member banks to U.S. residents, to the extent such credits exceed those in a base period defined as either the amount outstanding on June 25, 1969, or the daily average amount outstanding

in the 4 weeks ending May 28, 1969; and

(3) Borrowings by member banks from banks abroad that are not denominated as deposits.

b. In view of the comments received, the Board has incorporated various changes in these amendments as adopted. The principal substantive changes are as follows:

(1) The amendment to § 204.1(f) (1) has been modified to make clear that this exemption applies only to a domestic banking office of another bank; and a footnote has been added to clarify that "domestic" in this context means any banking office in any State of the United States or the District of Columbia of a bank organized under domestic or foreign law. Also, an exemption is provided in § 204.1(f) for obligations issued to a foreign office of another bank before June 27, 1969.

(2) The reserve requirement in § 204.5 (c) on borrowings from foreign banks has been conformed to the foreign branch reserve requirements in Regulation M with respect to the time periods for computing and maintaining such reserves. A provision has been added to § 204.5(c) to the effect that borrowings from foreign banks having maturities of 1 day or more will be subject to a reduced reserve requirement of 3 percent (rather than 10 percent), up to an amount of such "time" borrowings equal to 4 percent of the member bank's deposits subject to reserve requirements. Time borrowings above this base (and all borrowings actually payable on demand) from foreign banks would be subject to the 10 percent requirement. Also, provision has been made in § 204.5(c) for dealing with reserve deficiencies under that paragraph.

(3) A footnote has been added to § 213.7(a) which excludes from the 10 percent reserve requirement on assets sold to foreign branches (i) any assets held by foreign branches on June 26, 1969, representing credit extended to nonresidents of the United States, and (ii) credit extended or renewed by domestic offices of a member bank after June 26, 1969, to nonresidents of the United States, except to the extent such credit was extended in order to replace credit outstanding on that date which was paid prior to its maturity. Since no reserve requirement applies to foreign credits acquired from domestic offices which were held on June 26, 1969 by foreign branches or to foreign credits extended or renewed after that date, foreign credits are also excluded in computing a member bank's base under § 213.7 (a). It is also provided that any borrowings from foreign banks under § 204.5 (c) shall operate to reduce the reserve-free base available on borrowings from foreign branches under § 213.7(a).

(4) Section 213.7(b) has been modified to exempt borrowings to meet the requirements of the Office of Foreign Direct Investments, Department of Commerce, and borrowings under commitments entered into before June 27, 1969, from the 10 percent reserve requirement applicable to foreign branch credit to United States residents. Also, a footnote

defines "United States resident" to include any individual residing in any State or the District of Columbia, any corporation or other entity organized therein, and any domestic office of a foreign company. It is also made clear that credit extended to foreign offices or affiliates of domestic companies will not be treated as credit to U.S. residents if the funds will be used in the foreign business of the borrower or another foreign affiliate of the domestic company.

3. The effective date of the amendment was deferred for less than the 30-day period referred to in section 553(d) of title 5, United States Code, because the Board found that the general credit situation and the public interest compelled it to make the action effective no later than September 4, 1969.

Approved: August 12, 1969.

By order of the Board of Governors.

[SEAL] KENNETH A. KENYON,
Deputy Secretary.

[F.R. Doc. 69-9803; Filed, Aug. 19, 1969;
8:45 a.m.]

[Reg. Z]

PART 226—TRUTH IN LENDING

Discount for Prompt Payment of Sales Transactions

1. Effective August 11, 1969, § 226.8(o) is amended to read as follows:

§ 226.8 Credit other than open end—specific disclosures.

(o) *Discount for prompt payment of sales transactions.* (1) For the purposes of this paragraph, a "transaction subject to § 226.8(o)" is a credit sale transaction which is not exempt under § 226.3 and which is subject to a discount for payment on or before a specified date (e.g., 2 percent discount if paid within 10 days) or to a charge for delaying payment after a specified date (e.g., \$98 cash, \$100 if paid in 30 days). Both such a discount and such a charge are referred to in this paragraph as a "discount." In the case of any transaction subject to this § 226.8 (o), notwithstanding the provisions of the last sentence of paragraph (a) of this section, the creditor shall disclose on the invoice or other evidence of such sale, as applicable:

(i) The date of the sale or invoice.

(ii) The rate of discount, the date by which or period within which the discount may be taken, and the date by which or period within which the full amount of the obligation is due and payable. (For example, "2 percent per 10 days, net 30 days"; or "\$1 per ton per 10 days, net 30 days.")

(iii) The information required under paragraph (b) (4) and (5) of this section.

(iv) The amount of the discount, designated as a "finance charge," using that term.

(v) If the discount shown for prompt payment exceeds 5 percent of the obligation to which the discount relates, the

* I.e., (a) any individual residing (at the time the credit is extended) in any State of the United States or the District of Columbia; (b) any corporation, partnership, association or other entity organized therein ("domestic corporation"); and (c) any branch or office located therein of any other entity wherever organized. Credit extended to a foreign branch, office, subsidiary, affiliate or other foreign establishment ("foreign affiliate") controlled by one or more such domestic corporations will not be deemed to be credit extended to a U.S. resident if the proceeds will be used in its foreign business or that of other foreign affiliates of the controlling domestic corporation(s).

¹⁰ The branch may in good faith, rely on the borrower's certification that the funds will be so used.

"annual percentage rate," using that term, computed in accordance with subparagraph (2) of this paragraph, but subject to the exceptions provided under paragraph (b) (2) of this section.

(2) For the purposes of subparagraph (1) (v) of this paragraph, the annual percentage rate shall be determined by dividing the amount of the finance charge by the least amount payable in satisfaction of the obligation and multiplying the quotient (expressed as a percentage) by a fraction in which the numerator is 12, and the denominator is the number of whole months (but not less than 1) between the first day of the monthly billing cycle in which the transaction is consummated and the first day of the monthly billing cycle in which the obligation becomes due.^{12a}

(3) In a transaction with multiple discount rates (for example 6 percent per 10 days, 4 percent per 20 days, net 30 days), the largest discount shall be used for purposes of disclosing the amount of the finance charge under subparagraph (1) (iv) of this paragraph and the annual percentage rate under subparagraph (1) (v) of this paragraph.^{12b}

(4) In order to determine the applicability of subparagraph (1) (v) of this paragraph and to facilitate disclosure of an annual percentage rate, if the amount of the discount for prompt payment is related, pursuant to usual business practice, to weight, quantity, or other physical measure (e.g., \$1 per ton or 1 cent per gallon) rather than expressed as a percentage of discount, that discount may be converted to an approximate discount rate and, under subparagraph (2) of this paragraph, a reasonably accurate approximation of the annual percentage rate by using approximate or projected prices per physical unit determined on the basis of past experience, current information, or projected analysis.^{12c}

(5) If by its terms a transaction sub-

ject to this § 226.8(o) is payable in a single payment and no finance charge other than a discount is or may be imposed, and such discount is not utilized for the purpose of circumvention or evasion of disclosure requirements, the disclosure required by subparagraph (1) of this paragraph shall constitute compliance with the requirements of this § 226.8 and under § 226.9(a) shall constitute "all other material disclosures required under this part."

(6) If a transaction subject to this § 226.8(o) is debited to an open end credit account, disclosures shall be made as specified in subparagraph (1) of this paragraph and also as specified in § 226.7. The full amount of the obligation including the amount of the discount may be debited to the open end credit account, under § 226.7(b) (2), and the amount of any finance charge representing the discount need not be added to any other finance charge for the purpose of computing and disclosing the total amount of finance charge and the annual percentage rate under §§ 226.5(a) and 226.7.^{13a}

(7) If a transaction subject to this § 226.8(o) is not debited to an open end credit account, but either is subject to an additional finance charge or is payable by its terms in more than one payment, disclosures shall be made as specified in subparagraph (1) of this paragraph and also as specified in paragraphs (b) and (c) of this section. In such a case, if the transaction is payable in more than one payment, the amount of the discount shall be deducted for the purpose of computing and disclosing the cash price under paragraph (c) (1) of this section and shall be added to any other finance charge for the purpose of computing and disclosing the amount of the finance charge under paragraph (c) (8) (i) of this section and the annual percentage rate under paragraph (b) (2) of this section.^{13b} If the transaction is payable in a single payment, the discount may be disregarded in computing and disclosing such cash price, finance charge, and annual percentage rate.^{13c}

(8) Notwithstanding the provisions of the second sentence of paragraph (a) of this section, the disclosures required under subparagraph (1) of this para-

^{12a} For example, if a \$1,000 sale on terms of 2 percent per 10 days, net 30 days, is debited to an open end account on which 1 percent per month is charged, the periodic statement under § 226.7(b) (assuming no other transactions in the account) would show a previous balance of \$1,000, a finance charge of \$10, and an annual percentage rate of 12 percent.

^{12b} For example, if a \$1,000 sale on terms of 2 percent per 10 days, net 30 days is subject to an add-on finance charge of \$100 and is payable in installments, the disclosures under § 226.8 (b) and (c) would include a cash price of \$980 and a finance charge of \$120.

^{12c} For example, if a \$1,000 sale on Aug. 2, not under an open end account is subject to terms of 2 percent per 10 days, net 30 days, thereafter 8 percent per annum until Dec. 1, the disclosures under § 226.8 (b) and (c) would include a cash price of \$1,000, a finance charge of \$19.95, and an annual percentage rate of 8 percent.

graph made on the invoice or other evidence of sale may be delivered subsequent to consummation of the transaction.

(9) This amended paragraph (o) of § 226.8 shall become effective August 11, 1969, but until March 1, 1970, any creditor may at his option use any printed forms which were prepared before such effective date in accordance with this paragraph (o) of § 226.8 in effect at the time of such preparation.

2a. The purpose of this amendment is to clarify the application of the Truth in Lending Act to those cases in which a credit sale transaction is subject to a discount for prompt payment on or before a specified date or to a charge for delaying payment after a specified date.

b. The requirements of section 553 of Title 5, United States Code, with respect to notice, public participation, and deferred effective date were not followed in connection with this amendment. The effect of the amendment in general is to provide relief from a restriction and, in view of the unnecessary hardship on certain creditors in complying with the original § 226.8(o), the Board found that following such procedures would result in delay that would be contrary to the public interest.

Adopted: August 8, 1969.

By order of the Board of Governors.

[SEAL] KENNETH A. KENYON,
Deputy Secretary.

[F.R. Doc. 69-9802; Filed, Aug. 19, 1969; 8:45 a.m.]

Title 14—AERONAUTICS AND SPACE

Chapter I—Federal Aviation Administration, Department of Transportation

[Airspace Docket No. 69-WE-46]

PART 71—DESIGNATION OF FEDERAL AIRWAYS, CONTROLLED AIRSPACE, AND REPORTING POINTS

Alteration of Transition Area

On July 1, 1969, a notice of proposed rule making was published in the FEDERAL REGISTER (34 F.R. 11101) stating that the Federal Aviation Administration was considering an amendment to Part 71 of the Federal Aviation Regulations that would alter the description of the Cherokee, Wyo., transition area.

Interested persons were given 30 days in which to submit written comments, suggestions, or objections. No objections have been received and the proposed amendment is hereby adopted subject to the following changes.

In the description of the transition area delete all after "• • • extending • • •" and substitute therefor "• • • to 8 miles east and 19 miles west of the VORTAC."

Since these changes are editorial in nature, notice and public procedure hereon are unnecessary.

Effective date. This amendment shall be effective 0901 G.m.t., October 16, 1969.

^{12a} For example, a \$1,000 purchase of feed subject to terms of 6 percent per 10 days net 30 days (or 6 percent per 10 days, net E.O.M.; or 6 percent per 10 days, net 10th of the following month; or 6 percent per 20 days, net 30 days; or 6 percent per 30 days, net 30 days; or 6 percent discount for cash, net 30 days) results in a finance charge of \$60, a least amount payable of \$940, and an annual percentage rate of 76.56 percent, which may be rounded to 76.50 percent or 76½ percent. Terms of 6 percent per 20 days, net Sept. 29 applied to an April purchase, assuming a calendar month billing cycle, result in an annual percentage rate of 15.31 percent (i.e., $\frac{6}{12} \times 1\frac{1}{2}$) which may be rounded to 15.25 percent or 15¼ percent. In this example the 29 days in September are ignored and the denominator (5) is determined by the number of whole months in the period.

^{12b} For example, terms of 6 percent per 10 days, 4 percent per 20 days, net 30 days would be treated like terms of 6 percent per 10 days, net 30 days, which would represent an annual percentage rate of 76½ percent.

^{12c} For example, if terms of \$3 discount per ton per 10 days, net 30 days are offered on fertilizer that is expected to sell in a range of about \$48 to \$52 per ton, the annual percentage rate could be approximated for pre-printing as if it were 6 percent (i.e., \$3 on \$50) per 10 days, net 30 days, that is, 76½ percent.