Federal Reserve System

§ 204.124

(1) The entire beneficial interest in the investment company or trust must be held by depository institutions, as defined in Regulation D. These institutions presently may participate directly in the Federal funds market. If the entire beneficial interest in the investment company or trust is held only by depository institutions, the Board will regard the investment company or trust as a mere conduit for the holders of its beneficial interest.

(2) The assets of the investment company or trust must be limited to investments that all of the holders of the beneficial interest could make directly without limit.

(3) Holders of the beneficial interest in the investment company or trust must not be allowed to make third party payments from their accounts with the investment company or trust. The Board does not regard an investment company or trust that offers third party payment capabilities or other similar services which actively transform the nature of the funds passing between the holders of the beneficial interest and the Federal funds market as mere conduits.

The Board expects that the above conditions will be included in materials filed by an investment company or trust with the appropriate regulatory agencies.

(d) The Board believes that permitting sales of Federal funds by investment companies or trusts whose beneficial interests are held exclusively by depository institutions, that invest solely in assets that the holders of their beneficial interests can otherwise invest in without limit, and do not provide third party payment capabilities offer the potential for an increased yield for thrifts. This is consistent with Congressional intent to provide thrifts with convenient liquidity vehicles.


§ 204.124 Repurchase agreement involving shares of a money market mutual fund whose portfolio consists wholly of United States Treasury and Federal agency securities.

(a) The Federal Reserve Act, as amended by the Monetary Control Act of 1980 (title I of Pub. L. 96-221) imposes Federal reserve requirements on transaction accounts and nonpersonal time deposits held by depository institutions. The Board is empowered under the Act to determine what types of obligations shall be deemed a deposit (12 U.S.C. 461). Regulation D—Reserve Requirements of Depository Institutions exempts from the definition of deposit those obligations of a depository institution that arise from a transfer of direct obligations of, or obligations that are fully guaranteed as to principal and interest by, the United States government or any agency thereof that the depository institution is obligated to repurchase (12 CFR 204.2(a)(1)(vii)(B)).

(b) The National Bank Act provides that a national bank may purchase for its own account investment securities under limitations and restrictions as the Comptroller may prescribe (12 U.S.C. 24, ¶ 7). The statute defines investment securities to mean marketable obligations evidencing indebtedness of any person in the form of bonds, notes, and debentures. The Act further limits a national bank’s holdings of any one security to no more than an amount equal to 10 percent of the bank’s capital stock and surplus. However, these limitations do not apply to obligations issued by the United States, general obligations of any state and certain obligations of Federal agencies. In addition, generally a national bank is not permitted to purchase for its own account stock of any corporation. These restrictions also apply to state member banks (12 U.S.C. 335).

(c) The Comptroller of the Currency has permitted national banks to purchase for their own accounts shares of open-end investment companies that are purchased and sold at par (i.e., money market mutual funds) provided the portfolios of such companies consist solely of securities that a national bank may purchase directly (Banking Bulletin B–83–58). The Board of Governors has permitted state member banks to purchase, to the extent permitted under applicable state law, shares of money market mutual funds (MMMIF) whose portfolios consist solely of securities that the state member
§ 204.125 Foreign, international, and supranational entities referred to in §§ 204.2(c)(1)(iv)(E) and 204.8(a)(2)(i)(B)(5).

The entities referred to in §§ 204.2(c)(1)(iv)(E) and 204.8(a)(2)(i)(B)(5) are:

**EUROPE**
- Bank for International Settlements.
- European Atomic Energy Community.
- European Central Bank.
- European Coal and Steel Community.
- The European Communities.
- European Development Fund.
- European Economic Community.
- European Free Trade Association.

**LATIN AMERICA**
- Andean Development Corporation.
- Andean Subregional Group.
- Caribbean Development Bank.
- Caribbean Free Trade Association.
- Caribbean Regional Development Agency.
- Central American Bank for Economic Integration.
- The Central American Institute for Industrial Research and Technology.
- Central American Monetary Stabilization Fund.
- East Caribbean Common Market.
- Latin American Free Trade Association.
- Organization for Central American States.
- Permanent Secretariat of the Central American General Treaty of Economic Integration.
- River Plate Basin Commission.

**AFRICA**
- African Development Bank.
- Banque Centrale des Etats de l’Afrique Equatoriel et du Cameroun.
- Banque Centrale des Etats d’Afrique del’Ouest.
- Conseil de l’Entente.
- East African Community.
- Organisation Commune Africaine et Malagache.
- Organization of African Unity.
- Union des Etats de l’Afrique Centrale.
- Union Douaniere et Economique de l’Afrique Centrale.
- Union Douaniere des Etats de l’Afrique de l’Ouest.

**ASIA**
- Asia and Pacific Council.
- Association of Southeast Asian Nations.
- Bank of Taiwan.
- Korea Exchange Bank.

**MIDDLE EAST**
- Central Treaty Organization.
- Regional Cooperation for Development.

§ 204.126 Depository institution participation in 'Federal funds' market.

(a) Under § 204.2(a)(1)(vii)(A), there is an exemption from Regulation D for member bank obligations in nondeposit form to another bank. To assure the effectiveness of the limitations on persons who sell Federal funds to depository institutions, Regulation D applies