

FEDERAL RESERVE BANK

OF DALLAS

Dallas, Texas, June 21, 1954

RESERVES REQUIRED TO BE MAINTAINED BY MEMBER BANKS WITH FEDERAL RESERVE BANKS

To the Member Banks of the
Eleventh Federal Reserve District:

The Board of Governors of the Federal Reserve System has today announced the adoption of a supplement to Regulation D, which has the effect of reducing reserve requirements of member banks. Copy of the supplement is enclosed.

The following press statement was released by the Board today in regard to its action in reducing reserve requirements:

“The Board of Governors has reduced the reserves required to be maintained by member banks of the Federal Reserve System. The reduction will become effective on a gradual basis over the next six weeks.

“The action will release from reserves more than \$1.5 billion, which will then be available to the 6,700 member banks for expanding loans and investments as the economy enters a season of rising credit needs.

“Each member bank is required to maintain in the reserve bank of its district an amount of reserve funds equal to a specified percentage of the demand deposits (checking accounts) and time deposits (savings accounts) outstanding on the member bank’s books.

“When the reductions have been completed on August 1, the percentages applicable will have been lowered as follows:

“On net demand deposits—For central reserve city banks, from 22 to 20 per cent; for reserve city banks, from 19 to 18 per cent; for country banks, from 13 to 12 per cent. The amount of reserves that will be released is estimated at \$1,180,000,000.

“On time deposits—For all member banks, from 6 to 5 per cent. The amount of reserves to be released is estimated at \$375,000,000.

“The reductions will become effective according to the following schedule:

ON NET DEMAND DEPOSITS

<u>Effective</u>	<u>For</u>	<u>Percentage</u>
June 24	Central reserve city banks	From 22 to 21 per cent
July 29	Central reserve city banks	From 21 to 20 per cent
July 29	Reserve city banks	From 19 to 18 per cent
August 1	Country banks	From 13 to 12 per cent

ON TIME DEPOSITS

<u>Effective</u>	<u>For</u>	<u>Percentage</u>
June 16*	Country banks	From 6 to 5 per cent
June 24	Central reserve and reserve city banks	From 6 to 5 per cent

*Retroactive, so as to apply to the average balance in each country bank’s account with its reserve bank for the period June 16 through June 30.

"This action was taken in conformity with the Federal Reserve System's policy of making available the reserve funds required for the essential needs of the economy and of facilitating economic growth. The reduction will release a total of approximately \$1,555,000,000 of reserves. It was made in anticipation of estimated demands on bank reserves during the summer and fall, taking account of probable private financing requirements, including the marketing of crops and replenishment of retail stocks in advance of the fall and Christmas sale seasons, as well as the Treasury's financing needs.

"The Board is authorized by law to fix reserve requirements within the following limits: Net demand deposits, for central reserve city banks, 13 to 26 per cent; for reserve city banks, 10 to 20 per cent; for country banks, 7 to 14 per cent; on time deposits, for all member banks, 3 to 6 per cent.

"The last previous reduction in reserve requirements was announced on June 24, 1953. Changes in reserve requirements supply or withdraw relatively large amounts of bank reserves, even when effected on a gradual basis, as in the present action. Accordingly, such changes are comparatively infrequent. For more flexible and frequent adjustments to the credit needs of the economy the System relies chiefly upon open market operations to release or absorb reserve funds."

The supplement to Regulation D should be filed in the ring binder containing current bulletins of this bank and the regulations of the Board of Governors of the Federal Reserve System. Please acknowledge receipt on the enclosed post card.

Yours very truly,

WATROUS H. IRONS

President