

FEDERAL RESERVE BANK

OF DALLAS

Dallas, Texas, August 18, 1966

RESERVE REQUIREMENTS ON TIME DEPOSITS OTHER THAN SAVINGS DEPOSITS INCREASED FROM 5% TO 6% OF SUCH DEPOSITS IN EXCESS OF \$5 MILLION

**To the Member Banks of the
Eleventh Federal Reserve District:**

The following statement was made public on August 17, 1966, by the Board of Governors of the Federal Reserve System:

The Board of Governors of the Federal Reserve System announced today an increase from 5 percent to the statutory ceiling of 6 percent in reserve requirements against time deposits (other than savings deposits) in excess of \$5 million at each member bank. To permit orderly adjustments by banks, the effective date of the increase will be the reserve computation period beginning September 8, 1966 for reserve city banks, and the period beginning September 15 for other member banks.

It is estimated that the action will increase required reserves by about \$450 million — approximately \$370 million at reserve city banks and \$75 million at other member banks. This increase is expected to affect mainly the few hundred larger banks issuing savings certificates and other certificates of deposit (CD's) in substantial volume.

This action by the Board follows a similar increase, from 4 percent to 5 percent, in reserve requirements on these categories of deposit that was announced at midyear. Like that earlier measure, today's action is designed to exert a tempering influence on bank issuance of time certificates of deposit, and to apply some additional restraint upon the expansion of bank credit to businesses and other borrowers.

Monetary actions already taken have resulted in some moderation of the rate of bank credit growth thus far this year. However, in view of increasing pressures on prices stemming from recent developments in the economy, today's action is being taken to reinforce the anti-inflationary effects of overall monetary restraint.

The Board recognizes that in the period ahead some banks may be faced with unusual pressures, and in such circumstances Federal Reserve discount facilities will be available to assist member banks while they are making an orderly adjustment in their positions. However, such adjustments will be expected to emphasize increased restraint in lending policies and maintenance of an appropriate degree of liquidity on the part of borrowing banks.

The Supplement to Regulation D has been revised to reflect the changes referred to in the above statement and a copy is attached. When the new Supplement becomes effective as noted therein, it should be substituted for the Supplement now filed with your copy of Regulation D.

Please acknowledge receipt of the revised Supplement on the enclosed postal card.

Yours very truly,

Watrous H. Irons

President

Enclosures (2)

SUPPLEMENT TO REGULATION D

Section 204.5—Supplement

ISSUED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Effective as to member banks in reserve cities at the opening of business on September 8, 1966, and as to all other member banks at the opening of business on September 15, 1966.

(a) **Reserve percentages.**—Pursuant to the provisions of section 19 of the Federal Reserve Act and § 204.2(a) and subject to paragraph (b) of this section, the Board of Governors of the Federal Reserve System hereby prescribes the following reserve balances which each member bank of the Federal Reserve System is required to maintain on deposit with the Federal Reserve Bank of its district:

- (1) If not in a reserve city —
 - (i) 4 percent of its savings deposits, plus
 - (ii) 4 percent of its other time deposits up to \$5 million and 6 percent of such deposits in excess of \$5 million, plus
 - (iii) 12 percent of its net demand deposits.
- (2) If in a reserve city (except as to any bank located in such a city which is permitted by the Board of Governors of the Federal Reserve System, pursuant to § 204.2(a)(2), to maintain the reserves specified in subparagraph (1) of this paragraph) —
 - (i) 4 percent of its savings deposits, plus
 - (ii) 4 percent of its other time deposits up to \$5 million and 6 percent of such deposits in excess of \$5 million, plus
 - (iii) 16½ percent of its net demand deposits.

(b) **Counting of currency and coin.**—The amount of a member bank's currency and coin shall be counted as reserves in determining compliance with the reserve requirements of paragraph (a) of this section.