

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 68-27

February 1, 1968

**PROPOSED AMENDMENT TO REGULATION D
“RESERVES OF MEMBER BANKS”**

**To All Member Banks
in the Eleventh Federal Reserve District:**

There are attached a Press Release of the Board of Governors of the Federal Reserve System dated January 29, 1968, and proposed amendments to § 204.3(a) and (b) of Regulation D and related material as it will be published in the Federal Register.

You will note the Board of Governors has invited interested persons to submit in writing relevant data, views, or arguments. Such material should be sent to the Secretary, Board of Governors of the Federal Reserve System, Washington, D. C. 20551, to be received not later than March 1, 1968.

Yours very truly,

P. E. Coldwell

President

Attachments



FEDERAL RESERVE

press release

January 29, 1968.

For immediate release.

The Board of Governors of the Federal Reserve System proposed today an amendment to its Regulation D, "Reserves of Member Banks," effecting several changes in the computation of reserve requirements by member banks.

The proposed changes, on which the Board invited comment from interested persons by March 1, 1968, would involve:

1. establishment of coincident one-week reserve periods for reserve city banks and so-called "country banks";
2. calculation of weekly average required reserves based upon average deposits two weeks earlier;
3. calculation of weekly average reserves held in satisfaction for requirements based upon average vault cash held two weeks earlier;
4. provision for carrying forward to the next reserve week of either excesses or deficiencies averaging up to 2 per cent of required reserves.

These proposed changes do not represent any change in Federal Reserve monetary policy, but are alterations in a technical regulation and are designed to facilitate more efficient functioning

of the reserve mechanism. In combination, these changes are expected to reduce uncertainties, both for member banks and the Federal Reserve, as to the amount of reserves required during the course of any reserve period. Their adoption should moderate pressures for reserve adjustments within the banking system that sometimes develop near the close of a reserve period and can produce sharp fluctuations in the availability of day-to-day funds.

The text of the amendment in the form that it was forwarded for publication in the Federal Register is attached.

FEDERAL RESERVE SYSTEM

[12 CFR Part 204]

[Reg. D]

RESERVES OF MEMBER BANKS

Computation of Reserve Requirements

The Board of Governors is considering amending § 204.3(a) and (b) to read as follows:

§ 204.3 Deficiencies in reserves.

(a) Computation of deficiencies. (1) Reserve requirements of all member banks shall be determined on the basis of average daily net deposit balances and average daily currency and coin covering 7-day computation periods which shall end at the close of business on Wednesday of each week.

(2) In determining whether a member bank has a deficiency or an excess in its required reserve balance for any computation period, the required reserve balance of such bank shall be based upon the average daily net deposit balances and average daily currency and coin held by the member bank at the close of business of each day during the second computation period prior to the computation period for which the computation is made.

(3) Any excess or deficiency in a member bank's required reserve balance for any computation period, determined as provided in subparagraph (2) above, will be carried forward to the next following computation period to the extent that such excess or deficiency does not exceed 2 per cent of such required reserves, except that any portion of such excess or deficiency not offset in the next period may not be carried forward to additional computation periods.

(b) Penalties. (1) Deficiencies in reserve balances remaining after the application of subparagraph (3) of paragraph (a) above will be subject to penalties, assessed monthly on the basis of average daily deficiencies during each of the computation periods ending in the preceding calendar month.

(2) Any such penalty will be assessed at a rate of 2 per cent per annum above the lowest rate applicable to borrowings by each member bank from its Federal Reserve Bank on the first day of the calendar month in which the deficiencies occurred.

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The proposed changes are designed to provide for (1) establishment of coincident one-week reserve periods for reserve city and country banks; (2) calculation of weekly average required reserves based upon average deposits two weeks earlier; (3) calculation of weekly average reserves held in satisfaction for requirements based upon average vault cash held two weeks earlier; and (4) carrying forward to the next reserve week of either excesses or deficiencies averaging up to 2 per cent of required reserves. The changes are expected to reduce uncertainties as to the amount of reserves required during the course of any reserve period and to moderate pressures for reserve adjustments within the banking system that sometimes develop near the close of a reserve period and can produce sharp fluctuations in the availability of day-to-day funds.

This notice is published pursuant to section 553(b) of Title 5, United States Code, and § 262.2(a) of the Rules of Procedure of the Board of Governors of the Federal Reserve System (12 CFR 262.2(a)).

To aid in the consideration of this matter by the Board, interested persons are invited to submit, in writing, relevant data, views or arguments. Such material should be sent to the Secretary, Board of Governors of the Federal Reserve System, Washington, D. C. 20551, to be received not later than March 1, 1968. Under the Board's Rules Regarding Availability of Information (12 CFR 261), such materials will be made available for inspection and copying to any person upon request unless the person submitting the material asks that it be considered confidential.

Dated at Washington, D. C., this 29th day of January 1968.

By order of the Board of Governors.

(signed) Robert P. Forrestal

Robert P. Forrestal,
Assistant Secretary.