

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 70-136

June 5, 1970

PROPOSED AMENDMENT TO REGULATION D
"RESERVES OF MEMBER BANKS"

To All Member Banks
in the Eleventh Federal Reserve District:

There are attached a copy of a press release and a copy of a proposed amendment to Regulation D, section 204.1 (j), as submitted for publication in the Federal Register.

To aid in the consideration of this matter by the Board, interested persons are invited to submit relevant data, views, or arguments. Any such material should be submitted in writing to the Secretary, Board of Governors of the Federal Reserve System, Washington, D. C. 20551, to be received not later than July 13, 1970.

Requests for additional copies of the circular and any questions relative thereto should be addressed to the Accounting Department of this Bank.

Yours very truly,

P. E. Coldwell

President

Attachments (2)



FEDERAL RESERVE

press release

For immediate release.

June 3, 1970

The Board of Governors of the Federal Reserve System today issued for comment a proposed regulatory amendment to prevent member banks from counting as part of their required reserves any silver coin they hold for its bullion or numismatic value. The deadline for receipt of comments is July 13.

The proposal would amend the Board's regulation governing the reserves of member banks (Regulation D) by adding a qualifying clause to the definition of currency and coin. A copy of the proposal is attached.

Congress in 1959 amended the Federal Reserve Act to permit member banks to count currency and coin as part of their reserves. The main purpose of that amendment was to accommodate banks which, because of geographic location or business need, find it necessary to maintain relatively large amounts of cash on hand. The 1959 legislation was not designed to apply to coin held by a member bank to enable either the bank or its customers to speculate in silver.

FEDERAL RESERVE SYSTEM

[12 CFR Part 204]

RESERVES OF MEMBER BANKS

Counting Silver Coin as Reserves

The Board of Governors is considering changing the present definition of "currency and coin" in this part (Regulation D) to exclude from the scope of that term any coin that is being held principally for its bullion value (or numismatic value). Under the new definition such coin could no longer be counted as reserves by member banks, whether held by the bank for its own account or for the account of a customer.

The proposal being considered is to amend § 204.1(j) to read as follows:

(j) Currency and coin. The term "currency and coin" means United States currency and coin owned and held by a member bank, including currency and coin in transit to or from a Federal Reserve Bank, but not including coin held principally for its bullion value or numismatic value.

It appears that some member banks have been holding United States silver coin under an arrangement contemplating that such coin may be acquired from the bank by a customer at less than its bullion value, which is now greater than face value with respect to most outstanding silver coin. In light of the overall monetary policy objectives of reserve requirements under section 19 of the Federal Reserve Act (12 U.S.C. 461) and Regulation D, the Board of Governors is considering whether it is advisable to continue to permit silver

coin held for this purpose to be counted as reserves by member banks, since that policy in effect subsidizes, and therefore encourages, speculation in silver bullion.

To aid in the consideration of this matter by the Board, interested persons are invited to submit relevant data, views, or arguments. Any such material should be submitted in writing to the Secretary, Board of Governors of the Federal Reserve System, Washington, D. C. 20551, to be received not later than July 13, 1970. Under the Board's rules regarding availability of information (12 CFR Part 261), such materials will be made available for inspection and copying upon request unless the person submitting the material asks that it be considered confidential.

By order of the Board of Governors, June 2, 1970.

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Deputy Secretary.

(SEAL)