

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 72-219
September 26, 1972

To All Banks
in the Eleventh Federal Reserve District:

The following is a statement received from the Board of Governors of the Federal Reserve System regarding the delay in implementing amendments to Regulations D and J:

Last Tuesday, the U. S. District Court for the District of Columbia granted a temporary restraining order which had the effect of preventing the Federal Reserve System from implementing amendments to Regulation J. The order, which also caused the Board to stay the accompanying reductions in member bank reserve requirements, has created uncertainty, particularly in areas where Regional Check Processing Centers (RCPC's) were getting under way. The Board regrets that despite a long period of discussion and analysis of the changes, and the presentation and consideration of many alternatives, this last-minute action was taken. Last week, thousands of banks had to revise planned portfolio adjustments, loan extensions, and demand deposit accounting arrangements made in the expectation that the D and J proposals would go into effect according to schedule.

The Board is particularly concerned over any delay in the scheduled switch-over to Regional Check Processing Centers for overnight clearance of checks. Over the last two years, many hundreds of banks have been participating voluntarily in these regional centers, accepting the responsibility for immediate payment. They have demonstrated the usefulness and viability of this concept. Payment for checks on presentment in immediately available funds is a procedure now followed for 85 percent of the dollar volume of the Nation's transactions and, the Board believes, will ultimately be universal. The Board urges all banks that planned to participate in an RCPC to go forward with their plans.

The Board of Governors has stated repeatedly that it is committed to a better payments system and a more rational and equitable reserve structure. The present delay in our efforts to achieve a system that will place all banks on a more equal footing, while providing better service to the public and lower cost of operation, is unfortunate, but the Board is taking every step available to it to achieve an early resolution of the issues now in litigation. The Board believes that the overwhelming majority of bankers' support--and the public interest--requires its continuing efforts to achieve payment and reserve requirement reform.

Yours very truly,

P. E. Coldwell

President