

# FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 73-127  
May 24, 1973

## CHANGES TO REGULATIONS D, M, AND Q

To All Member Banks in the  
Eleventh Federal Reserve District:

On May 16, 1973, the Board announced several changes in Regulations D, M, and Q. These changes were designed to curb the rapid expansion in bank credit and help moderate inflationary pressures, and at the same time to assure the availability of credit on a reasonable scale. The changes announced by the Board will:

1. Impose an 8 per cent marginal reserve requirement (the regular 5 per cent plus a supplemental 3 per cent) on further increases in the total of (a) outstanding certificates of deposit of \$100,000 and over issued by member banks, and on (b) outstanding funds obtained by a bank through issuance by an affiliate of obligations subject to the existing reserve requirement on time deposits. The 8 per cent marginal reserve would not apply to banks whose obligations of these types aggregate less than \$10 million.

2. Reduce from 20 per cent to 8 per cent the reserve requirement on certain foreign borrowings of U.S. banks, primarily Euro-dollars, thus affording roughly parallel treatment at present with the marginal reserve requirement on large-denomination certificates of deposit and bank-related commercial paper. The Board also acted to eliminate gradually the reserve-free bases still held by some banks subject to this measure.

3. Suspend the ceilings that apply to the rate of interest commercial banks may pay on certificates of deposit of \$100,000 and over (large CDs) that mature in 90 days or more, effective immediately.

There are attached the following materials regarding the changes to Regulations D, M, and Q.

- A. Supplement to Regulation D as amended effective June 21, 1973.
- B. Amendment to Regulation M effective June 21, 1973.
- C. Supplement to Regulation Q effective May 16, 1973.

At the appropriate time, the member bank should include these supplements and amendment in the ring binder of bulletins and regulations furnished by this Bank.

Yours very truly,

P. E. Coldwell,

President

Attachments (3)

# BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

## SUPPLEMENT TO REGULATION D

As amended effective June 21, 1973

### SECTION 204.5 — RESERVE REQUIREMENTS

(a) **Reserve percentages.** Pursuant to the provisions of section 19 of the Federal Reserve Act and § 204.2(a) and subject to paragraph (c) 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) 3 per cent of (A) its savings deposits and (B) its time deposits, open account, that constitute deposits of individuals, such as Christmas club accounts and vacation club accounts, that are made under written contracts providing that no withdrawal shall be made until a certain number of periodic deposits have been made during a period of not less than 3 months; and

(ii) 3 per cent of its other time deposits up to \$5 million, plus 5 per cent of such deposits in excess of \$5 million: *Provided, however,* That a member bank shall maintain a reserve balance equal to 8 per cent of the amount by which the daily average amount of time deposits of the types hereinafter specified exceeds either the daily average amount of such time deposits outstanding during the computation period ending May 16, 1973, or \$10 million, whichever is greater, and such 8 per cent reserve percentage shall apply with respect to time deposits of the following types:

(a) single maturity time deposits of \$100,000 or more; and

(b) any other time deposits exempt from the rate limitations of Regulation Q, other than a deposit due to (i) a foreign banking office of a bank, or (ii) an institution the time deposits of which are described in § 217.3(g) thereof,

and

(iii) (a) 8 per cent of its net demand deposits if its aggregate net demand deposits are \$2 million or less, (b) \$160,000 plus 10 per cent of its net

demand deposits in excess of \$2 million if its aggregate net demand deposits are in excess of \$2 million but less than \$10 million, (c) \$960,000 plus 12 per cent of its net demand deposits in excess of \$10 million if its aggregate net demand deposits are in excess of \$10 million but less than \$100 million, or (d) \$11,760,000 plus 13 per cent of its net demand deposits in excess of \$100 million.

(2) **If in a reserve city** (except as to any bank located in such a city that 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) 3 per cent of (A) its savings deposits and (B) its time deposits, open account, that constitute deposits of individuals, such as Christmas club accounts and vacation club accounts, that are made under written contracts providing that no withdrawal shall be made until a certain number of periodic deposits have been made during a period of not less than 3 months; and

(ii) 3 per cent of its other time deposits up to \$5 million, plus 5 per cent of such deposits in excess of \$5 million: *Provided, however,* That a member bank shall maintain a reserve balance equal to 8 per cent of the amount by which the daily average amount of time deposits of the types hereinafter specified exceeds either the daily average amount of such time deposits outstanding during the computation period ending May 16, 1973, or \$10 million, whichever is greater, and such 8 per cent reserve percentage shall apply with respect to time deposits of the following types:

(a) single maturity time deposits of \$100,000 or more; and

(b) any other time deposits exempt from the rate limitations of Regulation Q, other than a deposit due to (i) a foreign banking office of a bank, or (ii) an institution the time deposits of which are described in § 217.3(g) thereof,

and

(iii) \$50,760,000 plus 17½ per cent of its net demand deposits in excess of \$400 million.

(b) **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.

(c) **Reserve percentages against certain deposits by foreign banking offices.** Deposits represented by promissory notes, acknowledgments of advance, due bills, or similar obligations described in § 204.1(f) to foreign offices of other banks,<sup>8</sup> or to institutions the time deposits of which are exempt from the rate limitations of Regulation Q pursuant to § 217.3(g) thereof, shall not be subject to paragraph (a) of this section or to § 204.3(a)(1) and (2); but during each week of the four-week period beginning June 21, 1973, and during each successive four-week ("maintenance") period, a member bank shall maintain with the Reserve Bank of its district a daily average balance equal to 8 per cent of the daily average amount of such deposits during the four-week computation period ending on the Wednesday fifteen days before the beginning of the maintenance period. An excess or deficiency in reserves in any week of a maintenance period under this paragraph shall be subject to § 204.3(a)(3), as if

computed under § 204.3(a)(2), and deficiencies under this paragraph shall be subjected to § 204.3(b):<sup>9</sup>

*Provided,* That any bank that, under the terms of § 204.5(c) of Regulation D as in effect prior to June 21, 1973,<sup>10</sup> was deducting for the computation period ending on May 9, 1973, an earlier period's corresponding daily average total of such deposits (hereinafter called "reserve-free base") in calculating its reserve requirements shall continue to be entitled to do so in accordance with the terms of such former section, but such reserve-free base shall not exceed progressively lower ceilings established hereunder by reducing the amount of its reserve-free base for the computation period ending on May 9, 1973, in ten increments, each equal to 10 per cent of its base in such computation period ending on May 9, 1973, applied consecutively in each succeeding computation period beginning with the period ending on August 1, 1973, until such reserve-free base is exhausted.

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<sup>8</sup> Any banking office located outside the States of the United States and the District of Columbia of a bank organized under domestic or foreign law.

<sup>9</sup> The term "computation period" in § 204.3(a)(3) and (b) shall, for this purpose, be deemed to refer to each week of a maintenance period under this paragraph.

<sup>10</sup> 35 Federal Register 18658.

# BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

## FOREIGN ACTIVITIES OF NATIONAL BANKS

### AMENDMENT TO REGULATION M†

Effective June 21, 1973, § 213.7 is amended to read as follows:

#### SECTION 213.7 — RESERVES AGAINST FOREIGN BRANCH DEPOSITS

(a) **Transactions with parent bank.** During each week of the four-week period beginning June 21, 1973, and during each week of each successive four-week ("maintenance") period, a member bank having one or more foreign branches shall maintain with the Reserve Bank of its district, as a reserve against its foreign branch deposits, a daily average balance equal to 8 per cent of the daily average total of

(1) net balances due from its domestic offices to such branches, and

(2) assets (including participations) held by such branches which were acquired from its domestic offices (other than assets representing credit extended to persons not residents of the United States), during the four-week computation period ending on the Wednesday fifteen days before the beginning of the maintenance period: *Provided*, That any bank that, under the terms of § 213.7(a) of Regulation M as in effect prior to June 21, 1973<sup>7</sup>, was deducting for the computation period ending on May 9, 1973, an earlier period's corresponding daily average total of such "net balances due" or "assets held" (hereinafter called "reserve-free base") in calculating its reserve requirements hereunder shall continue to be entitled to do so in accordance with the terms of such former section, but such reserve-free base shall not exceed progressively lower ceilings established hereunder by reducing the amount of its reserve-free base for the computation period ending on May 9, 1973, in ten increments, each equal to 10 per cent of its base in such computa-

tion period ending on May 9, 1973, applied consecutively in each succeeding computation period beginning with the period ending on August 1, 1973, until such reserve-free base is exhausted.

(b) **Credit extended to United States residents.** During each week of the four-week period beginning June 21, 1973, and during each week of each successive four-week maintenance period, a member bank having one or more foreign branches shall maintain with the Reserve Bank of its district, as a reserve against its foreign branch deposits, a daily average balance equal to 8 per cent of the daily average credit outstanding from such branches to United States residents<sup>8</sup> (other than assets acquired and net balances due from its domestic offices) during the four-week computation period ending on the Wednesday fifteen days before the beginning of the maintenance period:

*Provided*, That this paragraph does not apply to credit extended (1) to enable the borrower to comply with the requirements of the Office of Foreign Direct Investments, Department of Commerce,<sup>9</sup> or (2) under binding commitments entered into before May 17, 1973.

<sup>7</sup> 36 Federal Register 1040; 6826.

<sup>8</sup> (a) Any individual residing (at the time the credit is extended) in any State of the United States or the District of Columbia; (b) any corporation, partnership, association or other entity organized therein ("domestic corporation"); and (c) any branch or office located therein of any other entity wherever organized. Credit extended to a foreign branch, office, subsidiary, affiliate or other foreign establishment ("foreign affiliate") controlled by one or more such domestic corporations will not be deemed to be credit extended to a United States resident if the proceeds will be used in its foreign business or that of other foreign affiliates of the controlling domestic corporation(s).

<sup>9</sup> The branch may in good faith rely on the borrower's certification that the funds will be so used.

† For this Regulation to be complete as amended effective June 21, 1973, retain:

- 1) Printed Regulation pamphlet as amended effective January 7, 1971.
- 2) This slip sheet.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

SUPPLEMENT TO REGULATION Q

Effective May 16, 1973

SECTION 217.7 — MAXIMUM RATES OF INTEREST PAYABLE  
BY MEMBER BANKS ON TIME AND SAVINGS DEPOSITS

Pursuant to the provisions of section 19 of the Federal Reserve Act and § 217.3, the Board of Governors of the Federal Reserve System hereby prescribes the following maximum rates<sup>1</sup> of interest per annum payable by member banks of the Federal Reserve System on time and savings deposits:

(a) **Single maturity time deposits.**

(1) **Deposits of \$100,000 or more.** There is no maximum rate of interest presently prescribed on any single maturity time deposit of \$100,000 or more.

(2) **Deposits of less than \$100,000.** No member bank shall pay interest on any single maturity time deposit or less than \$100,000 at a rate in excess of the applicable rate under the following schedule:

<sup>1</sup> The limitations on rates of interest payable by member banks of the Federal Reserve System on time and savings deposits, as prescribed herein, are not applicable to any deposit which is payable only at an office of a member bank located outside the States of the United States and the District of Columbia.

<i>Maturity</i>	<i>Maximum per cent</i>
30 days or more but less than 1 year	5
1 year or more but less than 2 years	5½
2 years or more	5¾

(b) **Multiple maturity time deposits.** No member bank shall pay interest on a multiple maturity time deposit at a rate in excess of the applicable rate under the following schedule:

<i>Maturity Intervals</i>	<i>Maximum per cent</i>
30 days or more but less than 90 days	4½
90 days or more but less than 1 year	5
1 year or more but less than 2 years	5½
2 years or more	5¾

(c) **Savings deposits.** No member bank shall pay interest at a rate in excess of 4½ per cent on any savings deposit.