

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 73-150
June 21, 1973

AMENDMENT TO REGULATION D

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. Copies of the appropriate supplements and amendment were furnished to you with Circular No. 73-127, dated May 24, 1973. The Board in its May 16 announcement proposed a regulatory amendment that would apply reserve requirements to funds raised by banks through sales of finance bills. There is presently no reserve requirement on this type of instrument, which is sometimes called a working capital acceptance or an "ineligible" acceptance.

In a subsequent announcement on June 18, 1973, relative to that proposed regulatory amendment, the Board amended its Regulation D governing the reserves of member banks to apply a basic 5 per cent reserve requirement on all outstanding finance bills. An additional 3 per cent reserve requirement will apply to the total of funds raised through finance bills, large (\$100,000 and over) certificates of deposit (or other single maturity time deposits of like size) and commercial paper issued by an affiliate of a bank, to the extent the total exceeds the level outstanding during the week ended May 16 or \$10 million, whichever is larger.

Under the amendment, member banks will be required to include finance bills in their reserve calculations for the week beginning June 28. Member banks will be required to hold the reserves in the week beginning July 12.

The amendment is the same as the proposal made by the Board on May 16, as part of a series of actions designed to curb rapid expansion of bank credit, help moderate inflationary pressures and also assure the availability of credit on a reasonable scale. The Board's actions at that time included: (1) imposition of the above mentioned 8 per cent reserve requirements on large certificates of deposits and on outstanding funds obtained by banks through issuance by an affiliate of obligations subject to the existing reserve requirements, and (2) suspension of the ceilings then applicable to the rate of interest commercial banks may pay on large certificates of deposit.

The amendment to Regulation D adopted by the Board on June 18, 1973 will apply to funds obtained by a bank for use in its banking business through bank acceptances that are not eligible for discount by a Federal Reserve Bank. The traditional type of bank acceptances that apply to specific transactions in goods are exempt from reserve requirements and are eligible for discount by a Federal Reserve Bank. The effective date of the amendment, a copy of which is attached, is July 12, 1973.

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

Yours very truly,

P. E. Coldwell

President

Attachment (1)

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

RESERVES OF MEMBER BANKS

AMENDMENT TO REGULATION D

Effective July 12, 1973, section 204.1(f) is amended to read as follows:

(f) **Deposits as including certain promissory notes and other obligations.** For the purposes of this Part, the term "deposits" also includes a member bank's liability on any promissory note, acknowledgment of advance, due bill, bank acceptance or similar obligation (whether written or oral) that is issued or undertaken by a member bank as a means of obtaining funds to be used

in its banking business, except any such obligation that:

* * *

(4) * * *; or

(5) arises from the creation of a bank acceptance of the type described in section 13 of the Federal Reserve Act and eligible for discount by the Federal Reserve Banks.