

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 73-192
July 30, 1973

TO THE CHIEF EXECUTIVE OFFICER
OF THE MEMBER BANK ADDRESSED:

On July 13, 1973, the Board of Governors of the Federal Reserve System amended its Regulations D and Q with reference to multiple maturity time deposits for member banks. Copies of these amendments are attached. In summary, these amendments:

- (1) effective immediately, remove interest rate ceilings on
 - (a) multiple maturity time deposits of \$100,000 or more, and
 - (b) multiple maturity time deposits with maturities of four years or more in denominations of \$1,000 or more.
- (2) effective for the reserve computation week beginning August 16 (with reserves maintained during the week beginning August 30), the 8 percent marginal reserve requirement will apply to the total of certain obligations that will then include multiple maturity time deposits of \$100,000 or more. The amount of these latter deposits outstanding during the week ending May 16 will be included in the member bank's base for purposes of calculating the marginal reserve requirements for the reserve computation week August 16-22 and thereafter.

In order for us to obtain the data for your bank, there is attached a revised form FR 414y entitled "Member Bank Report for Calculating the Base for Marginal Reserve Requirements". Please complete the form in its entirety even though you may have already furnished us with part of the data requested. By completing the attached form, you will also be able to compute your bank's "Base" (or \$10 million, whichever is larger), for the reserve computation period beginning August 16, 1973. If your accounting system cannot capture such data, your best estimate will suffice.

You will shortly receive a supply of the revised form FR 414a entitled "Member Bank Special Reservable Liabilities Report". The form is changed only by clarifying that column 4 of the Report, effective for the reserve computation period August 16-22 and thereafter, is to

include the dollar amount outstanding of all time deposits in denominations of \$100,000 or more (both single and multiple maturities, represented by both negotiable and nonnegotiable instruments, and time deposits open account, issued to any holder).

The attached form FR 414y should be completed and returned to this Bank or appropriate branch as soon as possible but no later than August 7, 1973. Beginning with the reserve computation period August 16-22, please begin using the new (August) version of the FR 414a "Member Bank Special Reservable Liabilities Report", which will be sent to you within the near future, and destroy all copies of the June version.

If you have any questions, please call the accounting officer of this Bank or appropriate branch.

Yours very truly,

P. E. Coldwell

President

Attachments (3)

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

SUPPLEMENT TO REGULATION D

As amended effective August 30, 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) time deposits of \$100,000 or more; and

(b) time deposits represented by promissory notes, acknowledgments of advance, due bills, or similar obligations issued by a member bank's affiliate, as provided in § 204.1(f); and

(c) time deposits represented by bank acceptances, as provided in § 204.1(f);

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 10½ 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) \$1,000,000 plus 12½ 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) \$12,250,000 plus 13½ 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) time deposits of \$100,000 or more; and

(b) time deposits represented by promissory notes, acknowledgments of advance, due bills, or similar obligations issued by a member bank's affiliate, as provided in § 204.1(f); and

(c) time deposits represented by bank acceptances, as provided in § 204.1(f);

and

(iii) \$52,750,000 plus 18 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,⁸ 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):⁹

Provided, That any bank that, under the terms of § 204.5(c) of Regulation D as in effect prior to June 21, 1973,¹⁰ 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 percent 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.

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

⁹The 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.

¹⁰35 Federal Register 18658.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

SUPPLEMENT TO REGULATION Q

Effective July 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 rates¹ of interest per annum payable by member banks of the Federal Reserve System on time and savings deposits:

<i>Maturity</i>	<i>Maximum per cent</i>
30 days or more but less than 90 days	5
90 days or more but less than 1 year	5½
1 year or more but less than 30 months	6
30 months or more	6½

(a) **Time deposits with no maximum rate prescribed.** There is no maximum rate of interest presently prescribed (1) on any time deposit of \$100,000 or more, or (2) on any time deposit of \$1,000 or more with a maturity of 4 years or more.

(c) **Savings deposits.** No member bank shall pay interest at a rate in excess of 5 per cent on any savings deposit.

(b) **Time deposits with maximum rates prescribed.** Except as provided in paragraph (a), no member bank shall pay interest on any time deposit at a rate in excess of the applicable rate under the following schedule:

¹ 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.

MEMBER BANK REPORT FOR CALCULATING THE BASE FOR MARGINAL RESERVE REQUIREMENTS

FR414y
(August 1973)

FROM:

TO:

Federal Reserve Bank of _____

_____ (Name of Bank)
_____ (Street Address)
_____ (City, State, Zip Code)

Report all balances as of the close of business each day for the seven days May 10-16, 1973, to the nearest thousand dollars. Please read the instructions prior to completion of this report.

Date			Amount outstanding of funds obtained by the bank through issuance of obligations by affiliates or subsidiaries maturing in 30 days to 7 years		Amount outstanding of time deposits in denominations of \$100,000 or more		Amount outstanding of funds obtained by the bank through its use of ineligible acceptances maturing in 30 days or more		Total (Cols. 1, 2, and 3)	
Day of Week	Month	Day	Col. 1		Col. 2		Col. 3		Col. 4	
			Mils.	Thous.	Mils.	Thous.	Mils.	Thous.	Mils.	Thous.
THURS.	May	10								
FRI.	May	11								
SAT.	May	12								
SUN.	May	13								
MON.	May	14								
TUES.	May	15								
WED.	May	16								
TOTALS										

<p>CALCULATION TO DETERMINE BASE:</p> <p>Line 1. TOTAL OF COLUMN 4 \$ _____</p> <p>Line 2. DIVIDE TOTAL OF COLUMN 4 BY SEVEN \$ </p>		}	<p>This is the reporting bank's BASE (or \$10 million, whichever is larger), for the reserve computation period beginning August 16, 1973.</p>
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I certify that the reported closing balances are correct for the above dates.

(Authorized Signature)

(Title)

(Tear here before mailing)

INSTRUCTIONS

All figures should be reported as of the close of business each day May 10-16, 1973 to the nearest thousand dollars. All balances must reflect the consolidation of all branches located in the states of the United States and the District of Columbia. Zeros should be entered in any column for any day for which the reporting bank has nothing to report. For any day on which the reporting bank was closed, report the closing balance of the preceding business day.

PURPOSE OF THE REPORT

The Member Bank Report for Calculating the Base for Marginal Reserve Requirements will be used to establish each member bank's marginal reserve base. The base for the reserve computation week beginning August 16, 1973, is that indicated in line 2 of the second panel of the Report (or \$10 million, whichever is larger). For the reserve computation week beginning August 16, 1973, and each week thereafter, a supplemental reserve requirement of 3 percentage points will be applied to the amount by which the aggregate daily average total of column 4 for that week exceeds the base (or \$10 million, whichever is larger). These additional reserve requirements must be carried, on daily average, during the reserve maintenance week beginning August 30, 1973.

In a reserve computation week in which the appropriate daily average total deposits and liabilities equal or fall below the appropriate base, no supplemental reserve requirement will be applied. Subsequently, if the daily average total of such deposits and liabilities in any reserve computation week exceeds the appropriate base, a supplemental reserve

requirement will again be applied. The base can be changed only by action of the Board of Governors of the Federal Reserve System.

Column 1. Amount Outstanding of Funds Obtained by the Bank Through Issuance of Obligations by Affiliates or Subsidiaries Maturing in 30 days to 7 years.

Report in column 1 the dollar amount outstanding of the proceeds of obligations issued by the reporting bank's affiliates or subsidiaries (see Section 2 of the Banking Act of 1933) in the form of promissory notes, acknowledgements of advance, due bills, or similar obligations (written or oral) that are:

- (1) supplied to the reporting bank for the latter's use in its banking business, or to maintain the availability to the reporting bank of such funds, where
- (2) such obligations have a remaining maturity at the time the proceeds are supplied to the reporting bank of 30 days or more but less than 7 years.

There are, however, two broad categories of such funds supplied to the reporting bank that are to be EXCLUDED from the numbers reported in column 1:

(1) funds obtained by the reporting bank through those obligations issued by affiliates or subsidiaries that are supplied to the reporting bank by the affiliates or subsidiaries in the form of deposits in the reporting bank. Proceeds supplied to the reporting bank in the form of deposits are to be reported in the appropriate demand and time deposit columns of the Report of Deposits and do *not* enter the base *unless* they represent time deposits in denominations of \$100,000 or more. The outstanding amount of the latter deposits of the reporting bank's affiliates and subsidiaries in the reporting bank are to be included in the total of column 2 of this Report;

(2) funds obtained by the reporting bank through issuance of any obligations by affiliates or subsidiaries that if issued by the bank would be exempted from classification as deposits subject to reserve requirements as specified in Section 204.1(f) of Regulation D (as amended). The criteria for the exclusion of such obligations from reserve requirements under this Section of Regulation D are summarized in the box at the end of the instructions.

Column 2. Amount Outstanding of Time Deposits in Denominations of \$100,000 or more.

THE NUMBERS REPORTED IN COLUMN 2 ARE ALSO INCLUDED — BUT NOT SHOWN SEPARATELY — IN THE COLUMN "OTHER TIME DEPOSITS" IN THE REPORT OF DEPOSITS.

Report in column 2 the dollar amount outstanding of *all* time deposits in denominations of \$100,000 or more. Include both single and multiple maturities, represented by both negotiable and nonnegotiable instruments, and time deposits open account, issued to *any* holder, *provided* that such time deposits are in denominations of \$100,000 or more.

For the purposes of Regulation D, time deposits *include* (as specified in Section 204.1(f) of Regulation D, as amended) promissory notes, acknowledgements of advance, due bills, or similar obligations issued by the bank (or its operations subsidiaries) with a maturity of 30 days or more. Thus, any such obligations (as opposed to those issued by affiliates) with a maturity of 30 days or more in denominations of \$100,000 or more should be reported as time deposits in the Report of Deposits *and* also should be reported in column 2 of this Report. However, certain promissory notes, acknowledgements of advance, due bills, or similar obligations, as specified in Section 204.1(f) of Regulation D (as amended), are exempt from reserve requirements and those obligations should *not* be reported

in either Report. The criteria for the exclusion of such obligations from reserve requirements under this Section of Regulation D are summarized in the box at the end of the instructions.

Exclude from column 2 all time deposits, and those promissory notes, acknowledgements of advance, due bills, or similar obligations issued by the bank subject to reserve requirements, that have matured, even if they have not been presented and surrendered for payment, excluding them as of the day of maturity.

Column 3. Amount Outstanding of Funds Obtained by the Bank Through Its Use of Ineligible Acceptances Maturing in 30 days or more.

Report in column 3 the dollar amount outstanding of funds obtained by the reporting bank through its use of any ineligible acceptances (acceptances not eligible for discount by Federal Reserve Banks — see Section 201.3(c) of Regulation A) when:

(1) the obligation is issued or undertaken by the reporting bank as a means of obtaining funds for use in its banking business (regardless of the nature of the buyer), and

(2) the remaining maturity of the acceptance at the time the proceeds were received by the bank was 30 days or more.

Ineligible acceptances are sometimes referred to as finance bills.

The amount to be reported is the funds received and not the face amount of the ineligible acceptances issued or undertaken; therefore, the amount outstanding *reported* in column 3 may differ from the *face* amount of outstanding ineligible acceptances.

Column 4. Total

Column 4 is the sum of columns 1, 2 and 3.

THE DAILY AVERAGE AMOUNT OF COLUMN 4, AS CALCULATED ON LINE 2 OF THE SECOND PANEL OF THIS REPORT, OR \$10 MILLION, WHICHEVER IS LARGER, IS THE REPORTING BANK'S MARGINAL RESERVE BASE.

The following criteria can be used to exclude from reserve requirement calculations promissory notes, acknowledgements of advance, due bills or similar obligations issued either by a bank or by its affiliates and channeled to the bank:

(1) such obligations arise from the transfer of direct obligations of, or obligations that are fully guaranteed as to principal and interest by, the United States or any agency thereof that the bank is obligated to repurchase; or

(2) such obligations have an original maturity of more than seven years, are unsecured, and state expressly that they are subordinated to the claims of depositors; or

(3) such obligations arise from a borrowing from a dealer in securities, for one business day, of proceeds of a transfer of deposit credit in a Federal Reserve Bank (or other immediately available funds), commonly referred to as "Federal funds," received by such dealer on the date of the loan in connection with clearance of securities transactions; or

(4) such obligations are issued to and held for the account of any agency of the United States or the Government Development Bank for Puerto Rico; or

(5) such obligations are issued to and held for the account of a domestic banking office of another bank, with "bank" referring to any of the following institutions:

— Head offices and branches in the states of the United States and the District of Columbia of any individual, partnership, or corporation,

or other legal entity, chartered by the Federal Government or one of the 50 states as a commercial bank or chartered by one of the 50 states as a trust company empowered to accept, and/or accepting demand deposits.

— Any foreign bank located in the states of the United States, the District of Columbia, Puerto Rico, or territories and possessions of the U.S.

— Agencies and branches of foreign banks located in the states of the United States, the District of Columbia, Puerto Rico, or territories and possessions of the U.S.

— New York State chartered investment companies engaged in banking and majority owned by foreign banks.

— Banks, branches of U.S. banks *other* than of the reporting bank, and branches of foreign banks operating in Puerto Rico and territories and possessions of the U.S.

— Those Morris Plan, Hood Plan, or Industrial Banks that are empowered to accept, and/or accepting demand deposits.

— Stock Savings or Mutual Savings Banks.

— Building and Loan and Savings and Loan Associations.

— Export-Import Bank of the United States.