

# FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 73-232  
September 12, 1973

## SUPPLEMENT TO REGULATION D

To All Member Banks in the  
Eleventh Federal Reserve District:

Reference is made to Circular No. 73-227 dated September 8, 1973 regarding the announcement by the Board of Governors of the Federal Reserve System of further action being taken which is designed to curb the rapid expansion in bank credit. Effective September 20, 1973 the marginal reserve requirement on large denomination time deposits and related domestic instruments is increased from 8 percent to 11 percent. The marginal reserve requirement does not apply to deposits of these types totaling less than \$10 million, which are still subject to the regular reserve requirement.

The 11 percent marginal reserve requirement (the regular 5 percent plus a supplemental 6 percent) will apply to increases in the level of affected deposits since the week ending May 16, 1973. Member banks will be required to maintain the 11 percent marginal reserve requirement during the week beginning October 4 and ending October 10 based on deposit levels in the computation period beginning September 20 and ending September 26.

The revised Supplement to Regulation D reflecting these increases is attached. This new Supplement effective September 20, 1973 should be substituted for the Supplement (effective July 19, 1973) now filed with your copy of Regulation D.

Yours very truly,

P. E. Coldwell

President

Attachment

# BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

## SUPPLEMENT TO REGULATION D

As amended effective September 20, 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 11 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 11 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);

Provided further, that in no event shall the reserves required on its aggregate amount of time and savings deposits exceed 10 per cent; 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 11 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 11 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);

Provided further, that in no event shall the reserves required on its aggregate amount of time and savings deposits exceed 10 per cent; 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,<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 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.

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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.