

# FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 74-243  
September 6, 1974

## DECREASE IN MARGINAL RESERVE REQUIREMENT

To All Member Banks in the  
Eleventh Federal Reserve District:

There is quoted below the text of a press release issued Wednesday, September 4, 1974 by the Board of Governors of the Federal Reserve System announcing an amendment to Regulation D removing the marginal reserve requirement on large denomination time deposits and related domestic instruments with a maturity of four months or longer.

"The Board of Governors of the Federal Reserve System announced today the removal of its 3 per cent marginal reserve requirement on large denomination certificates of deposit with an initial maturity of four months or longer. This regulatory action will lower somewhat the cost to banks of issuing longer-term CD's and should therefore encourage banks to lengthen the maturities of their large CD's. Longer-term CD's of \$100,000 and more and related instruments will continue to be subject to the regular 5 per cent reserve requirement on time deposits.

Partial removal of the marginal reserve requirement will be effective on deposits outstanding in the week of September 5-11. Banks will be required to maintain reserves against these deposits two weeks later, in the week of September 19-25. The action will reduce total reserves by about \$400 million at a time when there is a seasonal need to provide reserves to the banking system.

The full reserve requirement (the regular 5 per cent plus the marginal 3 per cent) will continue to apply to large CD's with an initial maturity of less than four months. All large CD's outstanding on September 5 with a remaining maturity of four months or longer and all CD's issued on September 5 or thereafter with initial maturities of four months or longer will be affected by today's action.

A marginal reserve requirement (the regular 5 per cent plus a supplemental 3 per cent) was first announced by the Board on May 16, 1973. An additional 3 per cent marginal reserve was announced by the Board on September 7 raising the total reserve requirements on affected deposits to 11 per cent. This latter 3 per cent reserve was removed by the Board last December."

A revised Supplement to Regulation D (Reserves of Member Banks) suitable for insertion in your binder of Bulletins and Regulations will be forwarded to you in the near future.

Yours very truly,

P. E. Coldwell

President