

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 75-16
January 22, 1975

DECREASE IN RESERVE REQUIREMENTS ON NET DEMAND DEPOSITS

TO ALL MEMBER BANKS
IN THE ELEVENTH FEDERAL RESERVE DISTRICT:

There is quoted below the text of a press release issued on January 20, 1974, by the Board of Governors of the Federal Reserve System announcing a reduction in reserve requirements on demand deposits of member banks. The amendments are effective on demand deposits in the week beginning January 30, 1975, and affect reserves held by member banks in the week beginning February 13, 1975.

The Board of Governors of the Federal Reserve System announced today a reduction in reserve requirements on the net demand deposits of member commercial banks. The action will release about \$1.1 billion in reserves to the banking system.

The action is designed to permit further gradual improvement in bank liquidity and to facilitate moderate growth in the monetary aggregates. Reserve requirements will be reduced by 1/2-of-1-percentage point on all categories of net demand deposits up to \$400 million. The reduction on deposits of more than \$400 million will be 1 percentage point. The new schedule of reserves is as follows:

<u>Net Demand Deposits</u> <u>(In Millions of Dollars)</u>	<u>Present</u> <u>Ratio</u>	<u>New</u> <u>Ratio</u>
0 - 2	8	7 1/2
2 - 10	10 1/2	10
10 - 100	12 1/2	12
100 - 400	13 1/2	13
Over 400	17 1/2	16 1/2

The new reserve ratios will apply to net demand deposits during the week of January 30-February 5. They will affect the reserves banks must maintain during the week of February 13-19.

No change was made by the Board in reserve requirements on time and savings deposits.

A revised Supplement to Regulation D (Reserves of Member Banks), effective January 30, 1975, is enclosed. This Supplement should be inserted in your binder of Bulletins and Regulations issued by this Bank on the effective date, and the Supplement which is currently in use, dated November 28, 1974, should be removed at that time and destroyed.

Sincerely yours,

T. W. Plant

First Vice President

Enclosure

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

RESERVES OF MEMBER BANKS

SUPPLEMENT TO REGULATION D

As amended effective January 30, 1975

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 that each member bank of the Federal Reserve System is required to maintain on deposits 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 time deposits outstanding on November 28, 1974, which have an initial maturity of 180 days or more, or are issued on or after November 28, 1974 with an initial maturity of 180 days or more, 3 per cent of its time deposits up to \$5 million, outstanding on November 28, 1974, which have an initial maturity of less than 180 days, or are issued on or after November 28, 1974 with an initial maturity of less than 180 days, plus 6 per cent of such deposits in excess of \$5 million;* and

(iii) (a) 7½ per cent of its net demand deposits if its aggregate net demand deposits are \$2 million or less, (b) \$150,000 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) \$950,000 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) \$11,750,000 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 time deposits outstanding on November 28, 1974, which have an initial maturity of 180 days or more, or are issued on or after November 28, 1974 with an initial maturity of 180 days or more, 3 per cent of its time deposits up to \$5 million, outstanding on November 28, 1974, which have an initial maturity of less than 180 days, or are issued on or after November 28, 1974 with an initial maturity of less than 180 days, plus 6 per cent of such deposits in excess of \$5 million;* and

(iii) \$50,750,000 plus 16½ 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.

* Time deposits issued in the period November 14, 1974 to November 18, 1974, with maturities of between 120 and 179 days, may be treated as if they had initial maturities of 180 days or more.

(c) **Reserve percentages against certain deposits by foreign banking offices.** Deposits represented by promissory notes, acknowledgments of advances, 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 15 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 subject to § 204.3(b).⁹

⁸ 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.

⁹ 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.