

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 75-52

April 11, 1975

**DECREASE IN RESERVE REQUIREMENT ON
FOREIGN BORROWINGS OF MEMBER BANKS**

**TO ALL MEMBER BANKS IN THE
ELEVENTH FEDERAL RESERVE DISTRICT:**

There is quoted below the text of a press release issued Wednesday, April 10, 1975, by the Board of Governors of the Federal Reserve System announcing amendments to Regulations D and M reducing the reserve requirements on foreign borrowings of member banks.

The Board of Governors of the Federal Reserve System announced today a reduction from 8 percent to 4 percent in the reserve requirement on foreign borrowings of member banks, primarily Euro-dollars.

This action will bring the Euro-dollar reserve requirement into better alignment with reserve requirements on the time and savings deposits of domestic residents and may strengthen the position of the U.S. dollar in the foreign exchange markets.

The reduction will affect reserves that must be maintained against Euro-dollar borrowings in the four-week period beginning May 22. The actual reserve will be based on the level of borrowings during the period from April 10 through May 7. The action will reduce required reserves by about \$65 million.

Also affected by the action are foreign-owned banking institutions that have voluntarily maintained a reserve requirement on Euro-dollar borrowings since mid-1973. The Board originally requested the voluntary action during a period of monetary restraint. Although current

monetary policy is not directed toward credit restraint, the Board believes it is important that banking institutions operating in the United States receive parallel treatment with respect to maintaining reserves on increases in their Euro-dollar borrowings. Therefore, the Board requested the foreign-owned institutions to maintain a voluntary reserve of 4 percent against increases in net foreign borrowings that exceed the average of such borrowings during May 1973.

A reduction in the voluntary reserve from 8 percent to 4 percent will release about \$15 million in reserves. A reserve requirement on Euro-dollar borrowings by member banks was originally established in 1969. The reserve ratio has been 8 percent since May 1973.

Appropriate amendments to Regulations D and M, suitable for insertion in your binder of Bulletins and Regulations, will be forwarded to you in the near future.

Sincerely yours,

T. W. Plant

First Vice President