

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. 3372]
September 8, 1948]

SUPPLEMENT TO REGULATION D

**Reserves Required To Be Maintained By Member Banks
With Federal Reserve Banks**

Increases in Reserve Requirements

*To all Member Banks in the
Second Federal Reserve District:*

The Board of Governors of the Federal Reserve System has today amended the Supplement to Regulation D, a printed copy of which is enclosed, increasing reserve requirements of member banks effective as to member banks not in reserve and central reserve cities at the opening of business on September 16, 1948, and as to member banks in reserve and central reserve cities at the opening of business on September 24, 1948.

The Board's statement for the press, released for publication today, regarding this action is as follows:

As a further step toward restraining inflationary expansion of bank credit, the Board of Governors today increased the amount of reserves required to be maintained with Federal Reserve Banks by banks which are members of the Federal Reserve System as follows:

<i>On net demand deposits</i>		<i>Effective</i>
Nonreserve city banks	From 14 to 16 per cent	September 16, 1948
Reserve city banks	From 20 to 22 per cent	September 24, 1948
Central reserve city banks	From 24 to 26 per cent	September 24, 1948
 <i>On time deposits</i>		
Nonreserve city banks	From 6 to 7½ per cent	September 16, 1948
Central reserve and re- serve city banks	From 6 to 7½ per cent	September 24, 1948

The effect of these increases will be to raise the required reserves of banks in central reserve cities by approximately \$500 million, of banks in reserve cities by approximately \$700 million, and of banks in nonreserve cities by approximately \$700 million.

At the recent special session of Congress the Board of Governors was given temporary additional authority to increase reserve requirements of member banks and under the provisions of section 19 of the Federal Reserve Act as thus recently amended the Board now has authority to establish reserve requirements for the various classes of member banks within the following limits:

<i>Against net demand deposits</i>	<i>Minimum</i>	<i>Maximum</i>
Central reserve city banks	13	30
Reserve city banks	10	24
Nonreserve city banks	7	18
 <i>Against time deposits</i>		
All classes of banks	3	7½

When the increases become effective on the dates stated above, reserve requirements on time deposits will be at the maximum limit under existing authority and requirements on net demand deposits will be 2 percentage points less than the maximum at reserve and nonreserve city banks and 4 percentage points less than the maximum at central reserve city banks.

AMENDMENT TO REGULATION D

In connection with the Board's action amending the Supplement to Regulation D, the Board has also today issued an amendment to Regulation D, effective September 16, 1948, a printed copy of which is also enclosed. The only purpose of the amendment is to bring the text of the regulation into conformity with the text of the law.

Additional copies of this circular and of the enclosures will be furnished upon request.

ALLAN SPROUL,
President.

RESERVES OF MEMBER BANKS

AMENDMENT TO REGULATION D

ISSUED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Regulation D is amended in the following respects, effective September 16, 1948:

1. Subsection (a) of section 2 is amended by striking out the words "the sixth paragraph of" in the last sentence thereof.

2. Footnote numbered 6 appended to subsection (a) of section 2 is amended to read as follows:

"The amount of the reserves required to be maintained by any such member bank as a result of any such change may not be less than the amount of the reserves specified above nor more than twice such amount, except that through June 30, 1949, the required reserves for time deposits may be not more than $7\frac{1}{2}$ per cent and those for demand deposits of banks in central reserve cities, reserve cities, and other places may be not more than 30 per cent, 24 per cent, and 18 per cent, respectively."

3. Subsection (b) of section 2 is amended by striking out the following in the first sentence thereof:

"and, until six months after the cessation of hostilities in the present war as determined by proclamation of the President or concurrent resolution of the Congress, no deposit payable to the United States by any member bank arising solely as the result of subscriptions made by or through such member bank for United States Government securities issued under authority of the Second Liberty Bond Act, as amended, shall be included in net demand deposits or in time deposits which are subject to reserve requirements"

SUPPLEMENT TO REGULATION D

ISSUED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Effective as to member banks not in reserve and central reserve cities at the opening of business on September 16, 1948, and as to member banks in reserve and central reserve cities at the opening of business on September 24, 1948

RESERVES REQUIRED TO BE MAINTAINED BY MEMBER BANKS WITH FEDERAL RESERVE BANKS

Pursuant to the provisions of section 19 of the Federal Reserve Act and section 2(a) of its Regulation D, 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:

7½ per cent of its time deposits plus—

16 per cent of its net demand deposits if not in a reserve or central reserve city;

22 per cent of its net demand deposits if in a reserve city, except as to any bank located in an outlying district of a reserve city or in territory added to such city by the extension of the city's corporate limits, which, by the affirmative vote of five members of the Board of Governors of the Federal Reserve System, is permitted to maintain 16 per cent reserves against its net demand deposits;

26 per cent of its net demand deposits if located in a central reserve city, except as to any bank located in an outlying district of a central reserve city or in territory added to such city by the extension of the city's corporate limits, which, by the affirmative vote of five members of the Board of Governors of the Federal Reserve System, is permitted to maintain 16 per cent or 22 per cent reserves against its net demand deposits.