

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. 3441]
April 28, 1949]

SUPPLEMENT TO REGULATION D

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

Reductions 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, reducing reserve requirements of member banks effective as to member banks not in reserve and central reserve cities at the opening of business on May 1, 1949, and as to member banks in reserve and central reserve cities at the opening of business on May 5, 1949.

The Board's statement for the press, released for publication April 29, 1949, regarding this action is as follows:

The Board of Governors has reduced 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>
Central reserve city banks	From 26 to 24 per cent	May 5, 1949
Reserve city banks	From 22 to 21 per cent	May 5, 1949
Non-reserve city banks	From 16 to 15 per cent	May 1, 1949
<i>On time deposits</i>		
Central reserve and reserve city banks	From 7½ to 7 per cent	May 5, 1949
Non-reserve city banks	From 7½ to 7 per cent	May 1, 1949

The effect of these decreases will be to lower the required reserves of banks in central reserve cities by approximately 500 million dollars, of banks in reserve cities by approximately 350 million dollars, and of banks in non-reserve cities by 350 million dollars.

On September 8, 1948, the Board increased reserve requirements of member banks to the higher figures given above, under the temporary additional authority granted by Congress in the preceding August. This supplemental authority permitted a maximum of 4 per cent to be added to statutory reserve requirements on demand deposits and of 1½ per cent on time deposits.

"The present action" Chairman McCabe stated "was taken in furtherance of the Board's policy of adjusting all of its credit regulations in accordance with changing economic conditions and the credit requirements of the current business situation. Since the first of the year there has been a decline of approximately one and one-half billion dollars in loans at member banks. About one billion of this decline has occurred at member banks in New York and Chicago—the central reserve cities. The remainder of the decline was largely at banks in reserve cities. In view of this trend of loans and the fact that requirements at the New York and Chicago banks had been increased from 20 to 26 per cent during 1948 the Board felt that it was appropriate at this time to reduce the requirements for the central reserve city banks somewhat more than for other member banks. We have frequently stated that credit regulations are not a one-way street. They should be tightened or relaxed as general economic conditions require."

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

ALLAN SPROUL,
President.

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 opening of business on May 1, 1949, and as to member banks in reserve and central reserve cities at opening of business on May 5, 1949.

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:

7 per cent of its time deposits plus—

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

21 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 15 per cent reserves against its net demand deposits;

24 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 15 per cent or 21 per cent reserves against its net demand deposits.