

**FEDERAL RESERVE BANK  
OF NEW YORK**

[Circular No. **4923**  
August 9, 1960]

**RESERVE REQUIREMENTS**

**Amendments to Regulation D**

*To All Member Banks of the  
Second Federal Reserve District:*

The following statement was made public yesterday:

The Board of Governors of the Federal Reserve System today amended its Regulation D, relating to bank reserves and reserve requirements, in three respects. The amendments are to become effective August 25 and September 1, 1960.

The changes, made in further implementation of an Act of Congress relating to vault cash and reserve requirements, will make available about \$600 million of additional reserves for expanding bank credit as the economy enters the season of rising credit needs. The changes are as follows:

1. Effective August 25, 1960, member banks outside of central reserve and reserve cities ("country banks") will be permitted to count, in meeting their reserve requirements, any vault cash that they hold in excess of 2½ per cent of their net demand deposits. At present they can only count any vault cash that they hold in excess of 4 per cent of net demand deposits.

2. Effective September 1, 1960, reserve city and central reserve city banks similarly will be permitted to count vault cash in excess of 1 per cent of their net demand deposits, instead of the present 2 per cent.

3. Effective September 1, 1960, the reserve requirement of central reserve city banks against their net demand deposits, now 18 per cent, will be reduced to 17½ per cent. This change is a first step toward compliance with a provision of the 1959 Act that the differential between the requirements of central reserve city and reserve city banks be eliminated by July 28, 1962. Since the requirement for banks in reserve cities is now 16½ per cent, the present action reduces the differential from 1½ percentage points to 1 point.

As a result of the first two changes, it is estimated that about four-fifths of the 6,200 member banks will be in a position to count a part of their vault cash in meeting their required reserves.

The amount of reserves made available by today's actions on vault cash will be around \$480 million, of which somewhat more than half would be at country banks and almost all of the remainder at reserve city banks. The reduction in the requirement of central reserve city banks arising from the third change will release about \$125 million of reserves.

Enclosed is a printed copy of the Supplement to Regulation D, giving effect to the above amendments.

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

**ALFRED HAYES,**  
*President.*

## SUPPLEMENT TO REGULATION D

### Section 204.5—Supplement

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 August 25, 1960, and as to member banks in reserve and central reserve cities at opening of business on September 1, 1960.

(a) **Reserve percentages.**—Pursuant to the provisions of section 19 of the Federal Reserve Act and § 204.2 (a), but subject to paragraph (b) of this section, 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:

(1) If not in a reserve or central reserve city—

- (i) 5 per cent of its time deposits, plus
- (ii) 11 per cent of its net demand deposits.

(2) If in a reserve city (except as to any bank located in such a city which 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) 5 per cent of its time deposits, plus
- (ii) 16½ per cent of its net demand deposits.

(3) If in a central reserve city (except as to any bank located in such a city which 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) or (2) of this paragraph)—

- (i) 5 per cent of its time deposits, plus
- (ii) 17½ per cent of its net demand deposits.

(b) **Counting of currency and coin.**—In partial compliance with the reserve requirements of paragraph (a) of this section, the amount of a member bank's currency and coin shall be counted to the extent that it exceeds 1 per cent of the bank's net demand deposits in the case of a bank subject to the requirements for banks located in central reserve and reserve cities, and to the extent that it exceeds 2½ per cent of the bank's net demand deposits in the case of a bank subject to the reserve requirements for banks not located in central reserve and reserve cities.