

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. 5243]
October 18, 1962]

**Reserve Requirements on Savings and Time Deposits
Reduced From 5% to 4%**

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

The following statement was made public today by the Board of Governors of the Federal Reserve System:

The Board of Governors of the Federal Reserve System acted today to reduce from 5 per cent to 4 per cent the reserves against savings and time deposits that member banks are required to maintain with Federal Reserve Banks. The reduction in requirements will become effective at the beginning of the next reserve computation periods, October 25, 1962, in the case of reserve city banks, and November 1, 1962, for all other member banks.

This action will reduce member bank required reserves by an estimated \$767 million, \$410 million at reserve city banks and \$357 million at all other member banks. The release of these reserves, coming at this time, will assist in meeting the heavy seasonal needs for reserves that the banking system experiences in the closing months of the year. In addition, the reserves thus supplied will help in providing for the longer term growth in bank deposits needed to facilitate the expansion of economic activity and trade.

Reserves supplied in this manner substitute for a corresponding amount of reserves supplied through Federal Reserve purchases of Government securities in the open market, most of which, because of the characteristics of the market, would necessarily be in short-term securities. Thus, this method of supplying reserves will minimize downward pressures from System purchases upon short-term market rates, which is desirable in the present circumstances in order to keep incentives for short-term capital flows abroad from becoming stronger. In addition, the reduction in the requirement will make reserves available directly to banks throughout the country, to be used by them as their own local circumstances dictate to support seasonal or other changes in earning assets and deposits.

In taking this action, the Board took into account the character of the growth in deposits at commercial banks this past year. Net increases in savings and time deposits during 1962 have been comparatively large, in response to widespread offering by banks of higher rates of interest for such deposits. In these circumstances, the Board felt a lower requirement behind these deposits would be appropriate.

Enclosed is a printed copy of the Supplement to Regulation D, giving effect to the above changes in reserve requirements.

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 in reserve cities at the opening of business on October 25, 1962, and as to all other member banks at the opening of business on November 1, 1962.

(a) **Reserve percentages.**—Pursuant to the provisions of section 19 of the Federal Reserve Act and § 204.2(a) and 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 city—

(i) 4 per cent of its time deposits, plus

(ii) 12 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) 4 per cent of its time deposits, plus

(ii) 16½ per cent of its net demand deposits.

(b) **Counting of 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.