

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 6084]
[December 27, 1967]

Reserve Requirements Increased on Demand Deposits in Excess of \$5 Million

*To All Member Banks, and Others Concerned,
in the Second Federal Reserve District:*

Following is the text of a statement issued today by the Board of Governors of the Federal Reserve System:

The Board of Governors of the Federal Reserve System announced today an increase in the reserves that member banks are required to maintain against demand deposits in excess of \$5 million at each bank. The increase will take effect in two stages during January 1968, and will apply to approximately 2,000 member banks that do the bulk of the nation's banking business.

The action will lift reserve requirements against demand deposits in excess of \$5 million from the present 16½ per cent to 17 per cent for reserve city banks, and from the present 12 per cent to 12½ per cent for other member banks.

The result will be an increase of required reserves by an amount estimated to total about \$550 million—approximately \$360 million when it becomes effective for reserve city banks, and another \$190 million when effective for other member banks. The addition of these sums to required reserves will bring a corresponding decrease in funds that might otherwise be used by member banks for loans and investments.

The action was taken in furtherance of the Federal Reserve's objectives of fostering financial conditions conducive to resistance of inflationary pressures and progress toward equilibrium in the United States' balance of international payments.

To give the affected member banks a transition period to make adjustments to the higher levels of required reserves, the effective dates of the increase were set as follows: for reserve city banks (in general, the larger banks in the larger centers), the reserve computation period beginning January 11; for other member banks with more than \$5 million in demand deposits, the computation period beginning January 18. The January effective dates were chosen to coincide with a period when the banks' need for reserves will be undergoing the usual seasonal drop from the pre-Christmas peak.

All members of the Board concurred in the action.

The increase in reserve requirements will be the first since September 1966, when the reserves required against time deposits in excess of \$5 million at each member bank were raised from 5 per cent to 6 per cent.

It will be the first increase in reserve requirements against demand deposits since November 1960, when requirements for banks other than reserve city banks were raised from 11 to 12 per cent to offset, in part, the addition to reserves resulting from permission to count vault cash as reserves.

Enclosed are copies of the Supplement to Regulation D, giving effect to the increase in reserve requirements. Additional copies of this circular and the enclosure 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 January 11, 1968, and as to all other member banks at the opening of business on January 18, 1968.

(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) 3 per cent of (A) its savings deposits and (B) its time deposits, open account, that constitute deposits of individuals, such as Christmas club accounts and vacation club accounts, that are made under written contracts providing that no withdrawal shall be made until a certain number of periodic deposits have been made during a period of not less than 3 months; plus
- (ii) 3 per cent of its other time deposits up to \$5 million, plus 6 per cent of such deposits in excess of \$5 million; plus
- (iii) 12 per cent of its net demand deposits up to \$5 million, plus 12½ per cent of such deposits in excess of \$5 million.

(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) 3 per cent of (A) its savings deposits and (B) its time deposits, open account, that constitute deposits of individuals, such as Christmas club accounts and vacation club accounts, that are made under written contracts providing that no withdrawal shall be made until a certain number of periodic deposits have been made during a period of not less than 3 months; plus
- (ii) 3 per cent of its other time deposits up to \$5 million, plus 6 per cent of such deposits in excess of \$5 million; plus
- (iii) 16½ per cent of its net demand deposits up to \$5 million, plus 17 per cent of such deposits in excess of \$5 million.

(b) **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.