

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 6157]
April 29, 1968

AMENDMENT TO REGULATION D
Changes in Computation of Reserve Requirements

To the Member Banks of 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 adoption of an amendment to its Regulation D, "Reserves of Member Banks," effecting several changes in the computation of reserve requirements by member banks.

Except for clarification in language, the amendment, to become effective September 12, was adopted as proposed by the Board last January 29. The changes made by the amendment involve:

1. Establishing a one-week reserve period for the so-called "country banks" instead of their present two-week period, thus putting them on the same basis now used for reserve city banks;
2. Using average deposits two weeks earlier in calculating the weekly average required reserves for the present period;
3. Using vault cash held two weeks earlier, together with average balances at the Federal Reserve Bank for the current week, in the computation of weekly average reserves held in satisfaction of the requirements; and
4. Providing that either excesses or deficiencies averaging up to 2 per cent of required reserves may be carried forward to the next reserve week.

These new rules by which member banks will compute and comply with System reserve requirements do not represent any change in Federal Reserve monetary policy, but are alterations in a technical regulation and are designed to facilitate more efficient functioning of the reserve mechanism. In combination, these changes are expected to reduce uncertainties, both for member banks and the Federal Reserve, as to the amount of reserves required during the course of any reserve period. Their adoption should moderate some of the pressures for reserve adjustments within the banking system that can occasionally develop near the close of a reserve period and can produce sharp fluctuations in the availability of day-to-day funds.

Enclosed is a copy of the amendment to Regulation D referred to in the above statement. Additional copies of the amendment will be furnished upon request.

ALFRED HAYES,
President.

RESERVES OF MEMBER BANKS

AMENDMENT TO REGULATION D

(12 CFR PART 204)

ISSUED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Effective September 12, 1968, §204.3(a) and (b) are amended to read as follows:

SECTION 204.3—DEFICIENCIES IN RESERVES

(a) **Computation of deficiencies.**—(1) Reserve requirements of all member banks shall be determined on the basis of average daily net deposit balances and average daily currency and coin covering 7-day computation periods which shall end at the close of business on Wednesday of each week.

(2) In determining whether a member bank has maintained a reserve balance that is in excess or less than its required reserve balance for any computation period:

(i) The required reserve balance of such bank shall be based upon the average daily net deposit balances held by the member bank at the close of business each day during the second computation period prior to the computation period for which the computation is made.

(ii) The reserve balance of such bank shall consist of the average daily balance with the Federal Reserve bank of its district held by the member bank at the close of business of each day during the computation period for which the computation is made and the average daily currency and coin held by the member bank at the close of business each day during the second computation period prior to the computation period for which the computation is made.

(3) Any excess or deficiency in a member bank's required reserve balance for any computation period, determined as provided in subparagraph (2) above, will be carried forward to the next following computation period to the extent that such excess or deficiency does not exceed 2 per cent of such required reserves, except that any portion of such excess or deficiency not offset in the next period may not be carried forward to additional computation periods.

(b) **Penalties.**—(1) Deficiencies in reserve balances remaining after the application of subparagraph (3) of paragraph (a) above will be subject to penalties, assessed monthly on the basis of average daily deficiencies during each of the computation periods ending in the preceding calendar month.

(2) Any such penalty will be assessed at a rate of 2 per cent per annum above the lowest rate applicable to borrowings by each member bank from its Federal Reserve bank on the first day of the calendar month in which the deficiencies occurred.

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