

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 6313]
April 3, 1969

—Reserve Requirements Increased on Demand Deposits
—Discount Rates Increased

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:

In a further move against inflation, the Board of Governors of the Federal Reserve System today:

(1) Increased reserve requirements against demand deposits at all member banks by $\frac{1}{2}$ percentage point, effective in the reserve computation period beginning April 17 and applicable to average deposits in the period April 3–9 inclusive.

(2) Approved action by the directors of 11 Federal Reserve Banks increasing the discount rate at those Banks from $5\frac{1}{2}$ to 6 per cent, effective April 4. The discount rate is the interest rate charged member banks for borrowing from their district Federal Reserve Banks.

The increase in reserve requirements will mean that the nearly 6,000 national and State member banks must set aside as reserves an additional \$650 million, approximately \$375 million at reserve city banks—generally the larger banks in larger cities—and \$275 million at other member banks, frequently referred to as “country banks.”

The action will raise reserve requirements at reserve city banks from $16\frac{1}{2}$ to 17 per cent on net demand deposits under \$5 million and from 17 to $17\frac{1}{2}$ per cent on deposits over \$5 million. For all other member banks the increase will be from 12 to $12\frac{1}{2}$ per cent on deposits under \$5 million and from $12\frac{1}{2}$ to 13 per cent on those over \$5 million. Reserve requirements against time deposits remain unchanged.

The new top rate of $17\frac{1}{2}$ per cent on net demand deposits is the highest since 1960. The last previous change in reserve requirements took effect in January 1968, when they were raised $\frac{1}{2}$ percentage point on all demand deposits over \$5 million.

The new discount rate will be put into effect tomorrow by the Federal Reserve Banks of New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco. The 6 per cent rate is the highest in 40 years, although the rate has been as high as 7 per cent, in 1920–21.

The seven members of the Board were unanimous on the discount rate action, and all members of the Board voted in favor of the reserve requirement action except Governor Maisel, who stated: “I have no disagreement with the majority of the Board in either the ultimate goal being sought for the economy nor with the view that demand for output and services is continuing to rise at an inflationary pace. However, current money market relationships have, for the past five months, led to modest growth in most monetary aggregates, a sharp rise in interest rates, and a rapid reduction of bank liquidity. The existing relationships appear to me proper to sustain a long period of non-inflationary growth of money and credit. I conclude that until evidence arises that the demand for funds is leading to an undesirable upward shift in the rate of monetary expansion, an increase in reserve requirements is not called for.”

Enclosed are copies of the Supplement to Regulation D, giving effect to the increase in reserve requirements, and of this Bank’s Operating Circular No. 13, regarding discount rates. Additional copies of the enclosures will be furnished upon request.

ALFRED HAYES,
President.

SUPPLEMENT TO REGULATION D

ISSUED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Effective April 17, 1969, section 204.5 (Supplement to Regulation D) is amended to read as follows:

SECTION 204.5—SUPPLEMENT

(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) 12½ per cent of its net demand deposits up to \$5 million, plus 13 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) 17 per cent of its net demand deposits up to \$5 million, plus 17½ 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.

**FEDERAL RESERVE BANK
OF NEW YORK**

[Operating Circular No. 13]
[Revised April 4, 1969]

DISCOUNT RATES

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

1. This Bank has established the following new rates, effective April 4, 1969:

A rate of 6 per cent per annum on advances to, and discounts for, member banks under sections 13 and 13a of the Federal Reserve Act.

A rate of 6½ per cent per annum on advances to member banks under section 10(b) of the Federal Reserve Act.

A rate of 7½ per cent per annum on advances to individuals, partnerships, and corporations other than member banks under the last paragraph of section 13 of the Federal Reserve Act.

Shown below is the schedule of rates now in effect at this Bank on advances and discounts made under the Federal Reserve Act.

2. This circular supersedes our Operating Circular No. 13, Revised December 18, 1968.

ALFRED HAYES,
President.

Rate Schedule, Effective April 4, 1969

	<i>Per Cent Per Annum</i>
<i>Advances to and discounts for member banks:</i>	
(a) Advances and discounts under sections 13 and 13a of the Federal Reserve Act	6
(b) Advances under section 10(b) of the Federal Reserve Act	6½
<i>Advances to individuals, partnerships, and corporations other than member banks:</i>	
Advances under last paragraph of section 13 of the Federal Reserve Act	7½