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FEDERAL RESERVE BANK
OF NEW YORK

May 24, 1973

To the Chief Executive Officer
of the Bank Addressed:

On May 16, 1973, the Board announced several changes in Regulations D, M, and Q and one proposed change in Regulation D. These changes are designed to curb the rapid expansion in bank credit and help moderate inflationary pressures, and at the same time to assure the availability of credit on a reasonable scale. I have enclosed, for your information, a summary of these actions. Also enclosed are copies of two forms (FR 414y and FR 414a) in connection with the changes.

The form entitled "Member Bank Report for Calculating the Base for Marginal Reserve Requirements" (FR 414y) will enable you to determine your base for the new marginal reserve requirements and will also provide this Bank with the base data needed to implement the changes in Regulation D. We would appreciate it if you would complete the base form FR 414y even though the new marginal reserve requirement may not affect your bank. Please return the completed form by June 1, 1973, to the Head Office of this Bank, or, if you are located in the Buffalo Branch territory, to the Buffalo Branch.

The new weekly report form entitled "Member Bank Special Reservable Liabilities Report" (FR 414a) is to be used starting with the reserve computation period of June 7 through June 13. Additional copies of this form will be forwarded to you shortly. The report should be submitted, along with your completed Report of Deposits, in any reserve computation week in which your bank obtains funds from the issuance of obligations from subsidiaries or affiliates even if the total is less than \$10 million. However, your bank must file the report each week if the outstanding amount of obligations in the base week ended May 16 is larger than \$10 million. Furthermore, if the outstanding amount of obligations in the base week was less than \$10 million, but then rises to more than \$10 million, it would become necessary to file the report starting with the week that the amount of such obligations rises above \$10 million and each week thereafter.

If your bank presently reports funds it obtained from the issuance of obligations from affiliates or subsidiaries ("commercial paper") on the Report of Deposits, it should continue to do so until the reserve computation week ended June 6. For each computation week thereafter, such data should be reported on the FR 414a form.

(Over)

If, as proposed, the Board amends Regulation D to make funds obtained by a bank through its use of finance bills (ineligible acceptances) subject to reserve requirements, the weekly report form FR 414a will be revised to provide for the reporting of the outstanding amount of such obligations. Should this amendment be adopted, it will be necessary for you to file this revised form in any reserve computation week in which such finance bills were outstanding at your bank, regardless of amount, even if the total of the obligations subject to marginal reserve requirements is less than \$10 million.

Eurodollar borrowings should still be reported on the present form RB 31, although reserve requirements will be assessed in accordance with the changes in Regulations D and M. Revised instructional material concerning the phasing out of reserve free bases and the computation of Eurodollar reserve requirements will be forwarded shortly to those banks concerned.

As you know, the Board of Governors has urged all banks to observe the spirit, as well as the letter, of the Board's actions in a concerted effort to curb bank credit expansion and to moderate inflationary pressures. In this connection, Chairman Burns has written a letter to large nonmember banks seeking their assistance and cooperation in ensuring the effectiveness of this program.

Cooperating nonmember banks will establish a base in essentially the same manner as a member bank and deposit with the member bank of their choice an additional reserve of 3 per cent on any increase in money market obligations in excess of that base. The member bank depository will be asked to re-deposit such reserves with its Federal Reserve Bank. If a nonmember bank asks your bank to act as its special depository for such marginal reserves, please call John T. Keane, Vice President at our Head Office, or Angus A. MacInnes, Vice President at our Buffalo Branch, who will give you more details on how this program will operate.

Any inquiries regarding the interpretation of Regulations D, M, and Q, and the recent changes thereto, should be directed, at the Head Office, to James H. Booth, Manager of the Regulations and Bank Analysis Department. Inquiries on procedures regarding the base for marginal reserves or the maintenance of marginal reserves should be directed, at the Head Office, to Henry S. Fujarski, Manager of the Accounting Department, or to Joseph E. Klarberg or Joseph R. Pranci of that Department. At the Buffalo Branch, all such inquiries should be directed to Ronald B. Gray, Assistant Vice President and Cashier, Peter D. Luce, Assistant Cashier, or Mrs. Evalyn E. Joyce of the Accounting Division.

Alfred Hayes,
President.

FEDERAL RESERVE BANK
OF NEW YORK

May 24, 1973

SUMMARY OF MAY 16, 1973 ACTIONS
BY THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

- A. Effective May 16, Regulation Q interest rate ceilings were suspended for all single maturity time deposits (negotiable and non-negotiable) of \$100,000 or more.
- B. Effective June 21, Regulation D was amended to impose a marginal reserve requirement of 8 per cent, the regular 5 per cent plus a supplemental 3 per cent, on the amount by which the daily average total of certain deposits and liabilities exceeds the daily average total of such obligations outstanding in the reserve computation week ending May 16 or \$10 million, whichever is larger.
 1. The obligations involved are:
 - (a) the outstanding amount of single maturity time deposits (negotiable and non-negotiable)--including certificates of deposit, other time deposits, promissory notes, acknowledgements of advance, due bills, or similar obligations with a maturity of 30 days or more issued by the bank--of \$100,000 or more, and
 - (b) the amount outstanding of funds obtained by member banks, for use in their banking business, through issuance of obligations by affiliates and subsidiaries with a maturity of more than 30 days but less than 7 years.
 2. The daily average amount of these obligations outstanding during the reserve computation week ending May 16 or \$10 million, whichever is larger, becomes the base for the calculation of the supplemental reserve requirement. This base can be changed only by action of the Board of Governors.
 3. Effective with the reserve computation period beginning June 7, the supplemental reserve requirement of 3 per cent will be assessed on the amount by which the daily average total of the obligations defined in paragraph 1 above exceeds the base.
 4. If the sum of the obligations during the reserve computation week ended May 16 is less than the \$10 million minimum base, the supplemental reserve requirement will not be applied until the daily average amount of the obligations exceeds \$10 million. If, subsequently, the daily average amount of such obligations declines below \$10 million, supplemental reserve requirements cease and will not be applied again until the daily average amount of such outstanding obligations again exceeds \$10 million.

5. If the established base is larger than \$10 million, and subsequently the daily average amount outstanding of these obligations declines below the base, supplemental reserve requirements will not be applied. If, thereafter, the daily average amount of such obligations again exceeds the original base, supplemental reserve requirements will again be applied on the amount by which the daily average total of such obligations exceeds the original base.
 6. Beginning with the reserve computation week June 7 through June 13, the supplemental reserve requirement on the obligations will apply to the excess of deposits over the base. These supplemental reserves will have to be maintained in the week starting June 21.
- C. The Board has published for comment in the Federal Register (the text of which is contained in our Circular No. 7148, dated May 21, 1973) a proposed amendment to Regulation D that would apply reserve requirements to the outstanding funds obtained by member banks from their use of finance bills (ineligible acceptances).
1. Comments on the proposed amendment should be submitted by June 4, 1973 and may be sent to our Regulations and Bank Analysis Department.
 2. If the Board does so amend Regulation D:
 - (a) Regular reserve requirements will be applied as follows:
 - (i) the "other time deposit" reserve requirement (currently 5 per cent for time deposits over \$5 million) will be applied to the outstanding amount of finance bills (ineligible acceptances), the proceeds of which were used by a member bank in its banking business, with a maturity of 30 days or more at the time the proceeds were supplied to the member bank, and
 - (ii) "net demand deposit" reserve requirements (with the applicable reserve percentage depending on the total amount of deposits subject to the net demand deposit requirements) will be applied to the outstanding amount of finance bills (ineligible acceptances), the proceeds of which were used by a member bank in its banking business, with a maturity less than 30 days at the time the proceeds were supplied to the member bank.
 - (b) At the effective date of the amendment, if it is enacted, the previously established base will increase by the daily average amount outstanding of finance bills (ineligible acceptances), described in paragraph C.2(a)(i) above, in the reserve computation period ending May 16.

- (c) At the effective date of this amendment, if it is enacted, the supplemental reserve requirement of 3 per cent will be applied whenever the new base is exceeded by the daily average total of:
- (i) outstanding funds obtained by the bank through obligations issued by affiliates and subsidiaries with a maturity of 30 days or more,
 - (ii) outstanding single maturity time deposits of \$100,000 or more (including certificates of deposit, other time deposits, promissory notes, acknowledgements of advance, due bills, or similar obligations with a maturity of 30 days or more issued by the bank), and
 - (iii) outstanding funds obtained by the bank from its use of finance bills (ineligible acceptances) described in paragraph C.2(a)(i) above.

D. The Board amended Regulations D and M to reduce from 20 to 8 per cent the reserve requirement applicable to certain foreign borrowings of U.S. banks, to the extent that they exceed the applicable reserve-free bases of each bank. The amendments also reduce gradually two of the reserve-free bases, and eliminate the remaining one.

1. The rate of 8 per cent applies to reservable transactions in the current computation period, May 10 through June 6, 1973, with reserves to be maintained at the lower rate in the four-week period beginning June 21, 1973.
2. Beginning with the four-week computation period starting July 5 and in each subsequent four-week computation period, the reserve-free bases available for borrowing by U.S. banks from their own foreign branches and from foreign banks will be reduced by 10 per cent of the base outstanding during the computation period ended May 9. This schedule will result in elimination of reserve-free bases in the computation period beginning March 14, 1974. During the phase-out period for the reserve-free bases, the so-called "automatic downward adjustment" feature will remain. Thus, if in any computation period the daily average outstanding foreign borrowings of a U.S. bank with a reserve-free base declines by more than 10 per cent, its reserve-free base will decline by the full amount of the reduction in such borrowings.
3. Effective May 16, 1973, all reserve-free bases for foreign branch loans to U.S. residents are eliminated. However, loans made to enable the borrower to comply with the requirements of the Office of Foreign Direct Investments, or made under binding commitments entered into before May 17, 1973, are exempt. Hence, all foreign branch loans to U.S. residents either committed or outstanding on May 16, 1973, are reserve-free--but as those loans mature, any renewals or new loans would be subject to the reserve requirement. In all cases, loans made to enable borrowers to comply with the requirements of the OFDI are reserve-free.

MEMBER BANK SPECIAL RESERVABLE LIABILITIES REPORT

FR414a
(May 1973)

(Submit along with Report of Deposits)

FROM:

(Name of Bank)
(Street address)
(City, State, Zip Code)

TO:

Federal Reserve Bank of New York

Closing Balances for the Reserve Computation Period Ending Wednesday
(Month, day, year)

Report all balances as of the close of business each day to the nearest thousand dollars. Please read the instructions prior to completion of this report.

Date			Amount outstanding of funds obtained by the bank through issuance of obligations by affiliates or subsidiaries maturing in 30 days to 7 years		Amount outstanding of single maturity time certificates of deposit in denominations of \$100,000 or more		Total (Cols. 1 and 2)		Amount outstanding of funds obtained by the bank through issuance of obligations by affiliates or subsidiaries maturing in less than 30 days	
Day of Week	Month	Day	Mils.	Thous.	Mils.	Thous.	Mils.	Thous.	Mils.	Thous.
			THURS.							
F.										
SAT.										
SUN.										
MON.										
TUES.										
WED.										
TOTALS										

I certify that the reported closing balances are correct for the above dates.

(Authorized Signature)

(Title)

INSTRUCTIONS

All figures should be reported as of the close of business each day to the nearest thousand dollars. All balances must reflect the consolidation of all branches located in the states of the United States and the District of Columbia. Zeros should be entered in any column for any day for which the reporting bank has nothing to report. For any day on which the reporting bank was closed, report the closing balance of the preceding business day.

The Special Reservable Liabilities Report should be attached to the Report of Deposits at the time the Report of Deposits is sent to the Federal Reserve Bank.

WHICH MEMBER BANKS SHOULD FILE THE SPECIAL RESERVABLE LIABILITIES REPORT?

The Special Reservable Liabilities Report should be filed by any member bank meeting any *one* of the following conditions:

- (1) During the base week ended May 16, 1973, the daily average amount outstanding of columns 1 and 2 combined was \$10 million or more; OR
- (2) During the reserve computation period covered by *this* Report the member bank had outstanding any *one* of the following:

(a) any funds obtained by the reporting bank through issuance of obligations by affiliates or subsidiaries; OR

(b) single maturity time ~~certificates~~ of deposit—including any promissory notes, acknowledgements of advance, due bills or similar obligations—issued by the bank with maturities of 30 days or more, in denominations of \$100,000 or more, AGGREGATING \$10 million or more on daily average.

If a member bank meets *none* of the foregoing conditions, it need not file a Special Reservable Liabilities Report. However, if in any subsequent reserve computation period, it meets Condition 2(a) or 2(b), it must file a report for that week and each week thereafter.

PURPOSE OF THE SPECIAL RESERVABLE LIABILITIES REPORT

The Special Reservable Liabilities Report will be used to assess reserve requirements. The outstanding daily average amount indicated in column 1 of the report will be subject to such reserve requirements as the Board of Governors of the Federal Reserve System may, from time to time, establish for time deposits; the reserve ratio applicable to the total amount of column 1 will be that set for time deposits in excess of \$5 million. The outstanding

daily average amount indicated in column 4 of the report will be subject to such reserve requirements as the Board of Governors of the Federal Reserve System may, from time to time, establish for demand deposits; the applicable reserve ratio for column 4 for each bank will depend on the total amount of its outstanding deposits subject to the demand deposit reserve ratio.

In addition, the amount by which the outstanding daily average amount reported in column 3 of the report *exceeds* a base established for each individual member bank or \$10 million, whichever is larger, will be subject to an additional, or supplemental, reserve requirement. The size of the supplemental reserve requirement is that set, from time to time, by the Board of Governors of the Federal Reserve System.

Column 1. Amount Outstanding of Funds Obtained by the Bank Through Issuance of Obligations by Affiliates or Subsidiaries Maturing in 30 days to 7 years.

Report in column 1 the dollar amount outstanding of the proceeds of obligations issued by the reporting bank's affiliates or subsidiaries (see Section 2 of the Banking Act of 1933) in the form of promissory notes, acknowledgements of advance, due bills, or similar obligations (written or oral) that are:

- (1) supplied to the reporting bank for the latter's use in its banking business or to maintain the availability to the reporting bank of such funds, where
- (2) such obligations have a remaining maturity at the time the proceeds are supplied to the reporting bank of 30 days or more but less than 7 years.

There are, however, two broad categories of such funds supplied to the reporting banks that are to be EXCLUDED from the numbers reported in column 1:

- (1) funds obtained by the reporting bank through those obligations issued by affiliates or subsidiaries that are supplied to the reporting bank by the affiliates or subsidiaries in the form of deposits in the reporting bank. Proceeds supplied to the bank in the form of deposits are to be reported in the appropriate demand or time deposits columns of the Report of Deposits and (if applicable) column 2 of the Special Reservable Liabilities Report;
- (2) funds obtained by the reporting bank through issuance of any obligation issued by affiliates or subsidiaries that, if issued by the bank, would be exempted from classification as deposits subject to reserve requirements as specified in Section 204.1(f) of Regulation D as amended. The criteria for the exclusion of such obligations from reserve requirements under this Section of Regulation D are summarized in the box at the end of the instructions.

THE DAILY AVERAGE AMOUNT REPORTED IN COLUMN 1 OF THIS REPORT IS SUBJECT TO THE RESERVE REQUIREMENT APPLICABLE TO TIME DEPOSITS IN EXCESS OF \$5 MILLION. TO AVOID THE IMPOSITION OF EXTRA RESERVE REQUIREMENTS, THESE NUMBERS SHOULD NOT BE REPORTED IN THE REPORT OF DEPOSITS.

Column 2. Amount Outstanding of Single Maturity Time-Certificates-of-Deposit in Denominations of \$100,000 or more.

THE NUMBERS REPORTED IN COLUMN 2 SHOULD ALSO BE INCLUDED —BUT NOT SHOWN SEPARATELY—IN THE COLUMN "OTHER TIME DEPOSITS" IN THE REPORT OF DEPOSITS. COLUMN 2 OF THIS SPECIAL RESERVABLE LIABILITIES REPORT WILL NOT BE USED FOR THE CALCULATION OF REGULAR RESERVE REQUIREMENTS, BUT—ALONG WITH COLUMN 1—WILL BE USED TO CALCULATE ANY SUPPLEMENTAL RESERVE REQUIREMENT THAT MIGHT BE APPLICABLE.

Report in column 2 the dollar amount outstanding of single maturity time-certificate-of deposit (whether negotiable or non-negotiable) in denominations of \$100,000 or more, regardless of to whom issued. A single maturity time-certificate-of deposit is a time deposit evidenced by a negotiable or non-negotiable instrument that provides on its face that the amount of such deposit is payable to bearer, or to any specified person, or to his order—

(1) on a single certain date, specified in the instrument, not less than 30 days after the date of the deposit, or

(2) at the expiration of a single certain specified time not less than 30 days after the date of the instrument, and

(3) in all cases only upon presentation and surrender of the instrument.

For purposes of Regulation D, time-certificate-of deposit include (as specified in Section 204.1(f) of Regulation D as amended) promissory notes, acknowledgements of advance, due bills, or similar obligations issued by the bank with a maturity of 30 days or more. Thus, any such obligations (as opposed to those issued by affiliates or subsidiaries) with a single maturity of 30 days or more, in denominations of \$100,000 or more, should be reported as time deposits in the Report of Deposits and also should be reported in column 2 of the Special Reservable Liabilities Report. However, certain promissory notes, acknowledgements of advance, due bills, or similar obligations, as specified in Section 204.1(f) of Regulation D (as amended), are exempt from reserve requirements and those obligations should not be reported in either Report. The criteria for the exclusion of such obligations from reserve requirements under this Section of Regulation D are summarized in the box at the end of the instructions.

Exclude from column 2 all time-certificate-of deposit (and those promissory notes, acknowledgements of advance, due bills, or similar obligations issued by the bank subject to reserve requirements) that have matured, even if they have not been presented and surrendered for payment, excluding them as of the day of maturity. Such matured, but unpaid instruments, should be reported under the appropriate demand deposit columns of the Report of Deposits.

Column 3. Total

Column 3 is the sum of columns 1 and 2.

THE AMOUNT BY WHICH THE DAILY AVERAGE OF COLUMN 3 EXCEEDS EITHER \$10 MILLION OR THE DAILY AVERAGE OF THIS TOTAL FOR THE RESERVE COMPUTATION PERIOD ENDED MAY 16, 1973, WHICHEVER IS LARGER, WILL BE SUBJECT TO A SUPPLEMENTAL RESERVE REQUIREMENT AS SPECIFIED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM.

Column 4. Amount Outstanding of Funds Obtained by the Bank Through Issuance of Obligations by Affiliates or Subsidiaries Maturing in Less Than 30 Days.

Report in column 4 the dollar amount outstanding of the proceeds of obligations issued by the reporting bank's affiliates or subsidiaries (see Section 2 of the Banking Act of 1933) in the form of promissory notes, acknowledgements of advance, due bills, or similar obligations (written or oral) that are:

- (1) supplied to the reporting bank for the latter's use in its banking business, or to maintain the availability to the reporting bank of such funds, where
- (2) such obligations have a remaining maturity at the time the proceeds are supplied to the reporting bank of less than 30 days.

The categories for EXCLUSION from column 4 are the same as those noted in the instructions to column 1 of this report.

THE DAILY AVERAGE AMOUNT REPORTED IN COLUMN 4 OF THIS REPORT IS SUBJECT TO THE RESERVE REQUIREMENT APPLICABLE TO DEPOSITS SUBJECT TO THE DEMAND DEPOSIT RESERVE RATIO FOR THE REPORTING BANK. TO AVOID THE IMPOSITION OF EXTRA RESERVE REQUIREMENTS, THESE NUMBERS SHOULD NOT BE REPORTED IN THE REPORT OF DEPOSITS.

The following criteria can be used to exclude from reserve requirement calculations promissory notes, acknowledgements of advance, due bills or similar obligations issued either by a bank or by its affiliates and channeled to the bank:

- (1) such obligations arise from the transfer of direct obligations of, or obligations that are fully guaranteed as to principal and interest by, the United States or any agency thereof that the bank is obligated to repurchase; or
- (2) such obligations have an original maturity of more than seven years, are unsecured, and state expressly that they are subordinated to the claims of depositors; or
- (3) such obligations arise from a borrowing from a dealer in securities, for one business day, of proceeds of a transfer of deposit credit in a Federal Reserve Bank (or other immediately available funds), commonly referred to as "Federal funds", received by such dealer on the date of the loan in connection with clearance of securities transactions; or
- (4) such obligations are issued to and held for the account of any agency of the United States or the Government Development Bank for Puerto Rico; or
- (5) such obligations are issued to and held for the account of a domestic banking office of another bank, with "bank" referring to any of the following institutions:
 - Head offices and branches in the states of the United States and the District of Columbia of any individual, partnership, or corporation,

or other legal entity, chartered by the Federal Government or one of the 50 states as a commercial bank or chartered by one of the 50 states as a trust company empowered to accept, and/or accepting demand deposits.

- Any foreign bank located in the states of the United States, the District of Columbia, Puerto Rico, or territories and possessions of the U.S.
- Agencies and branches of foreign banks located in the states of the United States, the District of Columbia, Puerto Rico, or territories and possessions of the U.S.
- New York State chartered investment companies engaged in banking and majority owned by foreign banks.
- Banks, branches of U.S. banks other than of the reporting bank, and branches of foreign banks operating in Puerto Rico and territories and possessions of the U.S.
- Those Morris Plan, Hood Plan, or Industrial Banks that are empowered to accept, and/or accepting demand deposits.
- Stock Savings or Mutual Savings Banks.
- Building and Loan and Savings and Loan Associations.
- Export-Import Bank of the United States.

MEMBER BANK REPORT FOR CALCULATING THE BASE FOR MARGINAL RESERVE REQUIREMENTS

FR414y
(May 1973)

FROM:

(Name of Bank)
(Street Address)
(City, State, Zip Code)

TO:

Federal Reserve Bank of New York

Report all balances as of the close of business each day for the seven days May 10 - 16, 1973, to the nearest thousand dollars. Please read the instructions prior to completion of this report.

Date			Amount outstanding of funds obtained by the bank through issuance of obligations by affiliates or subsidiaries maturing in 30 days to 7 years		Amount outstanding of single maturity time certificates of deposit in denominations of \$100,000 or more		Subtotal (Cols. 1 and 2)		Amount Outstanding of funds obtained by the bank through its use of ineligible acceptances maturing in 30 days or more.		Total (Cols. 3 and 4)	
			Col. 1		Col. 2		Col. 3		Col. 4		Col. 5	
			Mils.	Thous.	Mils.	Thous.	Mils.	Thous.	Mils.	Thous.	Mils.	Thous.
THURS.	May	10										
FRI.	May	11										
SAT.	May	12										
SUN.	May	13										
MON.	May	14										
TUES.	May	15										
D.	May	16										
TOTALS												

CALCULATION TO DETERMINE BASE:

Line 1. TOTAL OF COLUMN 3 \$

Line 2. DIVIDE TOTAL OF COLUMN 3 BY SEVEN { This is the reporting bank's BASE (or \$10 million, whichever is larger), for the reserve computation period beginning June 7, 1973.

Line 3. TOTAL OF COLUMN 5 \$

Line 4. DIVIDE TOTAL OF COLUMN 5 BY SEVEN { This will become the BASE (or \$10 million, whichever is larger), IF the Board of Governors amends Regulation D to make funds obtained by the Bank through its use of ineligible acceptances subject to reserve requirements.

I certify that the reported closing balances are correct for the above dates.

(Authorized Signature)

(Title)

INSTRUCTIONS

All figures should be reported as of the close of business each day May 10-16, 1973 to the nearest thousand dollars. All balances must reflect the consolidation of all branches located in the states of the United States and the District of Columbia. Zeros should be entered in any column for any day for which the reporting bank has nothing to report. For any day on which the reporting bank was closed, report the closing balance of the preceding business day.

In a reserve computation week in which the appropriate daily average total deposits and liabilities equal or fall below the appropriate base, no supplemental reserve requirement will be applied. Subsequently, if the daily average total of such deposits and liabilities in any reserve computation week exceeds the appropriate base, a supplemental reserve requirement will again be applied. The base can be changed only by action of the Board of Governors of the Federal Reserve System.

PURPOSE OF THE REPORT

The Member Bank Report for Calculating the Base for Marginal Reserve Requirements will be used to establish each member bank's marginal reserve base. The base for the reserve computation week beginning June 7, 1973, is that indicated in line 2 of the second panel of the Report (or \$10 million, whichever is larger). For the reserve computation week beginning June 7, 1973, and each week thereafter, a supplemental reserve requirement of 3 percentage points will be applied to the amount by which the aggregate daily average total of column 3 for that week exceeds the base (or \$10 million, whichever is larger). These additional reserve requirements must be carried, on daily average, during the reserve maintenance week beginning June 21, 1973.

If the Board apply reserve requirements to the outstanding amount of funds obtained by the bank through its use of ineligible acceptances, the base will rise to that shown in line 4 of the second panel of the Report (or \$10 million, whichever is larger). Subsequently, a supplemental reserve requirement of 3 percentage points will be applied to the amount by which the aggregate daily average total of column 5 in any week exceeds this new base.

Column 1. Amount Outstanding of Funds Obtained by the Bank Through Issuance of Obligations by Affiliates or Subsidiaries Maturing in 30 days to 7 years.

Report in column 1 the dollar amount outstanding of the proceeds of obligations issued by the reporting bank's affiliates or subsidiaries (see Section 2 of the Banking Act of 1933) in the form of promissory notes, acknowledgements of advance, due bills, or similar obligations (written or oral) that are:

- (1) supplied to the reporting bank for the latter's use in its banking business, or to maintain the availability to the reporting bank of such funds, where
- (2) such obligations have a remaining maturity at the time the proceeds are supplied to the reporting bank of 30 days or more but less than 7 years.

There are, however, two broad categories of such funds supplied to the reporting bank that are to be EXCLUDED from the numbers reported in column 1: