

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 7197]
July 31, 1973]

REVISED SUPPLEMENTS TO REGULATIONS D AND Q

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

The Board of Governors of the Federal Reserve System has amended the Supplements to its Regulation D, "Reserves of Member Banks," and Regulation Q, "Interest on Deposits."

The Supplement to Regulation Q has been changed, effective July 16, 1973, to remove interest rate ceilings on multiple maturity time deposits of \$100,000 or more, and on multiple maturity time deposits with maturities of 4 years or more in denominations of \$1,000 or more. Accordingly, there is no longer any distinction in the Supplement between single maturity and multiple maturity time deposits with respect to the maximum rates of interest payable by member banks on such deposits.

The amended Supplement to Regulation D requires that *all* time deposits of \$100,000 or more, including multiple maturity time deposits, that were outstanding during the week ended May 16, 1973 must be included in a member bank's base for purposes of calculating the marginal reserve requirement on time deposits. Effective August 30, 1973, the required reserves on all such deposits will be maintained in accordance with these changes, as described in the Supplement. The amended Supplement also clarifies the application of the marginal reserve requirement to time deposits represented by such obligations as promissory notes, acknowledgments of advance, due bills, "finance bills", and bank-related commercial paper or similar obligations issued by a member bank's affiliate.

Enclosed are copies of the revised Supplements to Regulations D and Q; additional copies will be furnished upon request.

ALFRED HAYES,
President.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

SUPPLEMENT TO REGULATION Q

Effective July 16, 1973

SECTION 217.7 — MAXIMUM RATES OF INTEREST PAYABLE
BY MEMBER BANKS ON TIME AND SAVINGS DEPOSITS

Pursuant to the provisions of section 19 of the Federal Reserve Act and § 217.3, the Board of Governors of the Federal Reserve System hereby prescribes the following maximum rates¹ of interest per annum payable by member banks of the Federal Reserve System on time and savings deposits:

(a) Time deposits with no maximum rate prescribed. There is no maximum rate of interest presently prescribed (1) on any time deposit of \$100,000 or more, or (2) on any time deposit of \$1,000 or more with a maturity of 4 years or more.

¹ The limitations on rates of interest payable by member banks of the Federal Reserve System on time and savings deposits, as prescribed herein, are not applicable to any deposit which is payable only at an office of a member bank located outside the States of the United States and the District of Columbia.

(b) Time deposits with maximum rates prescribed. Except as provided in paragraph (a), no member bank shall pay interest on any time deposit at a rate in excess of the applicable rate under the following schedule:

<i>Maturity</i>	<i>Maximum per cent</i>
30 days or more but less than 90 days	5
90 days or more but less than 1 year	5½
1 year or more but less than 30 months	6
30 months or more	6½

(c) Savings deposits. No member bank shall pay interest at a rate in excess of 5 per cent on any savings deposit.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

SUPPLEMENT TO REGULATION D

Effective August 30, 1973

SECTION 204.5—RESERVE REQUIREMENTS

(a) **Reserve percentages.** Pursuant to the provisions of section 19 of the Federal Reserve Act and § 204.2(a) and subject to paragraph (c) of this section, the Board of Governors of the Federal Reserve System hereby prescribes the following reserve balances that 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; and

(ii) 3 per cent of its other time deposits up to \$5 million, plus 5 per cent of such deposits in excess of \$5 million:

Provided, however, That a member bank shall maintain a reserve balance equal to 8 per cent of the amount by which the daily average amount of time deposits of the types hereinafter specified exceeds either the daily average amount of such time deposits outstanding during the computation period ending May 16, 1973, or \$10 million, whichever is greater, and such 8 per cent reserve percentage shall apply with respect to time deposits of the following types:

(a) time deposits of \$100,000 or more;

(b) time deposits represented by promissory notes, acknowledgments of advance, due bills, or similar obligations issued by a member bank's affiliate, as provided in § 204.1(f); and

(c) time deposits represented by bank acceptances, as provided in § 204.1(f);

and

(iii) (a) 8 per cent of its net demand deposits if its aggregate net demand deposits are \$2 million or less, (b) \$160,000 plus 10½ per cent of its net demand deposits in excess of \$2 million if its aggregate net demand deposits are in excess of

\$2 million but less than \$10 million, (c) \$1 million plus 12½ per cent of its net demand deposits in excess of \$10 million if its aggregate net demand deposits are in excess of \$10 million but less than \$100 million, or (d) \$12,250,000 plus 13½ per cent of its net demand deposits in excess of \$100 million.

(2) **If in a reserve city** (except as to any bank located in such a city that 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; and

(ii) 3 per cent of its other time deposits up to \$5 million, plus 5 per cent of such deposits in excess of \$5 million:

Provided, however, That a member bank shall maintain a reserve balance equal to 8 per cent of the amount by which the daily average amount of time deposits of the types hereinafter specified exceeds either the daily average amount of such time deposits outstanding during the computation period ending May 16, 1973, or \$10 million, whichever is greater, and such 8 per cent reserve percentage shall apply with respect to time deposits of the following types:

(a) time deposits of \$100,000 or more;

(b) time deposits represented by promissory notes, acknowledgments of advance, due bills, or similar obligations issued by a member bank's affiliate, as provided in § 204.1(f); and

(c) time deposits represented by bank acceptances, as provided in § 204.1(f);

and

(iii) \$52,750,000 plus 18 per cent of its net demand deposits in excess of \$400 million.

(OVER)

PRINTED IN NEW YORK

(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.

(c) **Reserve percentages against certain deposits by foreign banking offices.** Deposits represented by promissory notes, acknowledgments of advance, due bills, or similar obligations described in § 204.1(f) to foreign offices of other banks,⁸ or to institutions the time deposits of which are exempt from the rate limitations of Regulation Q pursuant to § 217.3(g) thereof, shall not be subject to paragraph (a) of this section or to § 204.3(a)(1) and (2); but during each week of the four-week period beginning June 21, 1973, and during each successive four-week ("maintenance") period, a member bank shall maintain with the Reserve Bank of its district a daily average balance equal to 8 per cent of the daily average amount of such deposits during the four-week computation period ending on the Wednesday fifteen days before the beginning of the maintenance period. An excess or deficiency in reserves in any week of a maintenance period under this paragraph

⁸ Any banking office located outside the States of the United States and the District of Columbia of a bank organized under domestic or foreign law.

shall be subject to § 204.3(a)(3), as if computed under § 204.3(a)(2), and deficiencies under this paragraph shall be subject to § 204.3(b):⁹

Provided. That any bank that, under the terms of § 204.5(c) of Regulation D as in effect prior to June 21, 1973,¹⁰ was deducting for the computation period ending on May 9, 1973, an earlier period's corresponding daily average total of such deposits (hereinafter called "reserve-free base") in calculating its reserve requirements shall continue to be entitled to do so in accordance with the terms of such former section, but such reserve-free base shall not exceed progressively lower ceilings established hereunder by reducing the amount of its reserve-free base for the computation period ending on May 9, 1973, in ten increments, each equal to 10 per cent of its base in such computation period ending on May 9, 1973, applied consecutively in each succeeding computation period beginning with the period ending on August 1, 1973, until such reserve-free base is exhausted.

⁹ The term "computation period" in § 204.3(a)(3) and (b) shall, for this purpose, be deemed to refer to each week of a maintenance period under this paragraph.

¹⁰ 35 Federal Register 18658.