

FEDERAL RESERVE BANK  
OF NEW YORK

Circular No. 7226  
September 7, 1973

Increase in Marginal Reserve Requirements  
on Large-Denomination Certificates of Deposit

*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 to curb the rapid expansion in bank credit, the Board of Governors of the Federal Reserve System today announced an increase in its marginal reserve requirements on large denomination certificates of deposit.

The action will increase the marginal reserve requirement from 8 percent to 11 percent, effective September 20.

The growth this year in bank credit has been financed in large part by bank sales of certificates of deposit of \$100,000 and over, and similar money market instruments. Total bank loans have increased at a more than 20 percent annual rate since mid-year and bank loans to business firms have increased even more rapidly during this interval.

On May 16, the Board imposed an 8 percent marginal reserve requirement (the regular 5 percent plus a supplemental 3 percent) on further increases in (1) time deposits in denominations of \$100,000 and over and (2) bank-related commercial paper. Similar reserve requirements were subsequently applied to funds raised by banks through the sale of finance bills.

Banks have been required to maintain this added reserve requirement beginning with the week of June 21-27, based on total deposit levels two weeks earlier. The marginal reserve does not apply to deposits of these types totaling less than \$10 million, which are still subject to the regular reserve requirement.

(Over)

The 11 percent marginal reserve requirement (the regular 5 percent plus a supplemental 6 percent) will apply to increases in the level of affected deposits since the week ending May 16.

Since that time, commercial banks have increased their holdings of large CDs, bank-related commercial paper and finance bills by about \$15 billion. An increase in the marginal reserve requirement to 11 percent would mean that banks with these deposits would be required to maintain about \$450 million in additional reserve requirements.

Member banks will be required to maintain the 11 percent marginal reserve requirement during the week of October 4-10, based on deposit levels two weeks earlier (the week of September 20-26).

A copy of a new Supplement to Regulation D, reflecting this change, will be sent to you shortly.

Alfred Hayes,  
*President.*