

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. 7294]
[December 13, 1973]

**Copy of Supplement to Regulation D
Effective December 13, 1973**

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

Our Circular No. 7289, dated December 7, 1973, contained the text of a statement, issued by the Board of Governors of the Federal Reserve System, announcing a reduction, from 11 per cent to 8 per cent, in marginal reserve requirements on certain classes of time deposits.

Enclosed is a copy of a revised Supplement, effective December 13, 1973, to Regulation D, "Reserves of Member Banks," of the Board of Governors, which reflects the Board's action. In submitting the Supplement for publication in the *Federal Register*, the Board made the following additional statement:

On May 16, 1973, and July 16, 1973, the Board of Governors applied a marginal reserve requirement against certain classes of time deposits (38 FR 13726, 38 FR 19908). On September 7, 1973, the Board increased the marginal reserve requirement from 8 to 11 per cent, subject to the provision that in no event shall the reserves required of a member bank on its aggregate amount of time and savings deposits exceed 10 per cent.

The Board has amended Regulation D (12 CFR 204) to reduce to 8 per cent the marginal reserve requirement on those classes of time deposits currently subject to the 11 per cent marginal reserve requirement. This action was taken pursuant to the Board's authority under section 19 of the Federal Reserve Act (12 U.S.C. 461) to set reserve ratios for member banks.

There was no notice or public participation with respect to this amendment since such procedure would result in delay that would be contrary to the public interest and serve no useful purpose. The effective date was deferred for less than the 30-day period referred to in section 553(d) of Title 5, United States Code, because the Board found that the general credit situation and the public interest compelled it to make the action effective no later than the date adopted. See § 262.2(e) of the Board's Rules of Procedure, 12 CFR § 262.2(e).

Additional copies of the enclosure will be furnished upon request.

ALFRED HAYES,
President.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

SUPPLEMENT TO REGULATION D

Effective December 13, 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

Provided further, That in no event shall the reserves required on its aggregate amount of time and savings deposits exceed 10 per cent; 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

Provided further, That in no event shall the reserves required on its aggregate amount of time and savings deposits exceed 10 per cent; and

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

(OVER)

(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.