FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 7451
September 5, 1974]

REGULATION D

Reduction in Reserve Requirement on
Certain 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 September 4 by the Board of Governors of the Federal Reserve System:

> The Board of Governors of the Federal Reserve System announced today the removal of its 3 percent marginal reserve requirement on large-denomination certificates of deposit with an initial maturity of four months or longer.
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> This regulatory action will lower somewhat the cost to banks of issuing longer-term CDs and should therefore encourage banks to lengthen the maturities of their large CDs.
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> Longer-term CDs of $100,000 and more and related instruments will continue to be subject to the regular 5 percent reserve requirement on time deposits.
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> Partial removal of the marginal reserve requirement will be effective on deposits outstanding in the week of September 5-11. Banks will be required to maintain reserves against these deposits two weeks later, in the week of September 19-25.
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> The action will reduce required reserves by about $400 million at a time when there is a seasonal need to provide reserves to the banking system.
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> The full reserve requirement (the regular 5 percent plus the marginal 3 percent) will continue to apply to large CDs with an initial maturity of less than four months. All large CDs outstanding on September 5 with a remaining maturity of four months or longer and all large CDs issued on September 5 or thereafter with initial maturities of four months or longer will be affected by today's action.
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> A marginal reserve requirement (the regular 5 percent plus a supplemental 3 percent) was first announced by the Board on May 16, 1973. An additional 3 percent marginal reserve was announced by the Board on September 7 raising the total reserve requirements on affected deposits to 11 percent. This latter 3 percent reserve was removed by the Board last December.
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> Technically, the marginal reserve requirement applies to increases (beyond the amount outstanding in the week ended May 16, 1973) in the total of (a) time deposits in denominations of $100,000 and over and (b) bank-related commercial paper and finance bills with a maturity of 30 days or longer. In no case does the supplemental reserve apply to banks whose large CDs total less than $10,000,000.
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> Today's action also affects certain nonmember State banks and U. S. agencies and branches of foreign banks that have been voluntarily holding marginal reserves on large CDs at the request of the Board.

A copy of a revised Supplement to Regulation D, "Reserves of Member Banks," of the Board of Governors, reflecting this change, will be sent to you shortly.

ALFRED HAYES,
President.