

FEDERAL RESERVE BANK  
OF NEW YORK

[ Circular No. 7507 ]  
November 19, 1974

SUPPLEMENT TO REGULATION D

Effective November 28, 1974

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

Our Circular No. 7502, dated November 13, 1974, contained the text of a statement, issued by the Board of Governors of the Federal Reserve System, announcing a restructuring of reserve requirements.

In this connection, the Board of Governors issued the following statement on November 18:

The Board of Governors of the Federal Reserve System today announced a modification in the restructuring of reserve requirements that was issued on November 13. No additional release of reserves will result from the change.

In its action last week, the Board included an increase from 5 percent to 6 percent in reserve requirements on all time deposits with an initial maturity of less than four months. At the same time, reserve requirements were reduced from 5 percent to 3 percent on time deposits with an initial maturity of four months or more.

The modification taken today changed the structure of this action from an initial maturity of four months to an initial maturity of six months. The purpose of the action is the same—to improve the liquidity of the banking system by encouraging member banks to seek longer-term deposits.

Other measures announced on November 13 remain unchanged. The effective date for all of the reserve requirement changes is also unchanged; all changes will apply to deposits outstanding in the week beginning November 28 and will release reserves in the week beginning December 12.

Data presented to the Board at the time of its original decision last week underestimated the net amount of reserves released by the restructuring as announced at that time. It was estimated then that the net release of reserves would be about \$750 million. Revised estimates now available indicate that the net amount of reserves released in total and by size of bank would not be altered significantly with a reserve requirement structure as modified today. This new structure also furthers the Board's objective of encouraging member banks to seek longer-term time deposits to improve the liquidity of the banking system.

Banks that issued time deposits with initial maturities of 120 to 179 days from November 14 through November 18 will be permitted to apply a 3 percent reserve requirement, beginning November 28, to such deposits while they are outstanding.

Enclosed is a copy of a revised Supplement, effective November 28, 1974, to Regulation D, "Reserves of Member Banks," of the Board of Governors, which reflects the Board's action. 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 November 28, 1974

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 time deposits outstanding on November 28, 1974, which have an initial maturity of 180 days or more, or are issued on or after November 28, 1974 with an initial maturity of 180 days or more; 3 per cent of its time deposits up to \$5 million outstanding on November 28, 1974, which have an initial maturity of less than 180 days, or are issued on or after November 28, 1974 with an initial maturity of less than 180 days, plus 6 per cent of such deposits in excess of \$5 million.\*

(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 time deposits outstanding on November 28, 1974, which have an initial maturity of 180 days or more, or are issued on or after November 28, 1974 with an initial maturity of 180 days or more; 3 per cent of its time deposits up to \$5 million outstanding on November 28, 1974, which have an initial maturity of less than 180 days, or are issued on or after November 28, 1974 with an initial maturity of less than 180 days, plus 6 per cent of such deposits in excess of \$5 million.\*

(iii) \$52,750,000 plus 17½ per cent of its net demand deposits in excess of \$400 million.

(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,<sup>8</sup> 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 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).<sup>9</sup>

\* Time deposits issued in the period November 14, 1974 to November 18, 1974, with maturities of between 120 and 179 days, may be treated as if they had initial maturities of 180 days or more.

<sup>8</sup> 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.

<sup>9</sup> 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.