

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 7736]
October 21, 1975]

REDUCTION IN RESERVE REQUIREMENTS
ON CERTAIN TIME DEPOSITS

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

The following is quoted from the text of a statement issued October 15 by the Board of Governors of the Federal Reserve System:

The Board of Governors of the Federal Reserve System announced today a reduction in reserve requirements on member bank time deposits with an original maturity of four years or more. The action will release about \$350 million in reserves to the banking system.

This action is designed primarily to encourage banks to lengthen the structure of their liabilities. It will also help meet the seasonal need for bank reserves over the coming weeks and facilitate moderate growth in the monetary aggregates.

Under the restructuring action, reserve requirements on time deposits with an original maturity of four years or more will be reduced from 3 per cent to 1 per cent. In no case, however, may the average of reserves on time and savings deposits at each bank be less than 3 per cent, the minimum level specified by law.

The new reserve ratio will apply to the level of deposits beginning the week of October 16-22, and will affect required reserves beginning the statement week of October 30-November 5.

Enclosed is a copy of the Supplement, effective October 16, 1975, to the Board of Governors' Regulation D, "Reserves of Member Banks," giving effect to this change. In submitting the Supplement for publication in the *Federal Register*, the Board made the following additional statement:

The Board of Governors has amended Regulation D (12 CFR 204) to modify the reserve balances that member banks are required to maintain against certain time deposits. The amendments approved by the Board reduce by two percentage points reserves required on all time deposits having an initial maturity of four years or more that are outstanding on or issued after October 16, 1975. Prior to these amendments such deposits were subject to a three per cent reserve requirement. The Board's action is designed primarily to encourage member banks to lengthen the maturity structure of their liabilities. The action is also intended to help meet the seasonal need for bank reserves over the coming weeks and to facilitate moderate growth in the monetary aggregates. The effect of these amendments will be to lower the required reserves of member banks by approximately \$350 million.

This action was taken pursuant to the Board's authority under §19 of the Federal Reserve Act (12 U.S.C. 461) to set reserve ratios for member banks. These amendments to Regulation D are effective on deposits outstanding in the week beginning October 16, 1975, and affect reserves held by member banks in the week beginning October 30, 1975.

Based on information regarding current economic and financial conditions the Board determined that it was in the public interest immediately to provide an incentive to member banks to lengthen further the maturity structure of their liabilities and to facilitate without delay continued growth in the monetary aggregates. In light of these factors, therefore, the Board determined that good cause exists for dispensing with notice and public participation with respect to these amendments and for promulgating these amendments without deferring the effective date thereof for the 30 day period referred to in §553(d) of Title 5 of the United States Code, and that it would be impracticable, unnecessary and contrary to the public interest to provide notice and public participation or to defer the effective date. See also §262.2(e) of the Board's Rules of Procedure.

Additional copies of the enclosure will be furnished upon request.

PAUL A. VOLCKER,
President.

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK, N. Y. 10045

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A circular will be issued shortly, transmitting an amendment to the Board's Regulation D, "Reserves of Member Banks," reflecting this change. Questions on this matter may be directed to our Bank Regulations Department.

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