

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 7881
May 26, 1976]

**Procedural Modification of
Transitional Reserve-Requirement
Relief for New or Merged Member Banks**

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

In November 1975 the Board of Governors of the Federal Reserve System adopted a policy providing transitional relief from the increase in reserve requirements resulting from a bank joining the Federal Reserve System or from a merger of a nonmember or member bank into an existing member bank. The policy, announced in our Circular No. 7755 dated November 21, 1975, was designed to allow these banks to assume gradually the requirements for maintaining additional reserves. The relief is in the form of waiver of penalties that would otherwise be imposed for a certain portion of deficiencies in reserves maintained by these banks, on a declining scale over a two-year period.

Section 204.3 of Regulation D, "Reserves of Member Banks," provides for the carry-over of an excess or deficiency in reserve balances to the next reserve computation period to the extent that such excess or deficiency does not exceed two percent of required reserves. Under procedures adopted when the transitional relief policy went into effect, none of the unused portion of a transitional waiver could be carried over to the next computation period.

However, beginning with the reserve maintenance week ended May 19, 1976, such procedures have been modified in order to extend the carry-over privileges to member banks that are eligible for transitional waivers. Under the new procedures, the full amount of the transitional waiver to which a member bank is entitled will be added to the bank's maintained balances. Any resulting excess or deficiency will be carried forward to the next computation period to the extent provided in section 204.3 of Regulation D.

Questions regarding this matter may be directed to Thomas Campbell (Tel. No. 212-791-5249) or Nancy Rivera (Tel. No. 212-791-5994) of our Accounting Department. Additional copies of this circular will be furnished upon request.

PAUL A. VOLCKER,
President.