

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. 4767]
August 4, 1959

New Law on Member Bank Reserve Requirements

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

On July 28, 1959, the President of the United States signed into law an act (Public Law No. 86-114) amending certain provisions of the Federal Reserve Act and the National Bank Act relating to reserves required to be maintained by member banks. While the act makes no immediate change in the method of computing reserves or in current actual reserve requirements, it authorizes the Board of Governors of the Federal Reserve System to permit member banks, under such regulations as it may prescribe, to count all or part of their currency and coin as reserves. Member banks will be notified promptly of any regulation the Board of Governors may adopt permitting such currency and coin to be counted as reserves.

The new law also—

(a) Establishes a maximum reserve requirement for reserve city and central reserve city member banks of 22 per cent (previously 20 and 26 per cent, respectively) and a minimum reserve requirement for central reserve city member banks of 10 per cent (previously 13 per cent).

(b) Changes the basis upon which the Board of Governors may permit (i) member banks located in reserve cities to maintain reserves required of country member banks, and (ii) member banks located in central reserve cities to maintain reserves required of reserve city or country member banks. This permission may now be granted on such basis as the Board may deem reasonable and appropriate in view of the character of business transacted by the member bank. The act eliminates the provisions that, to be eligible for such permission, the member bank must be located in the outlying districts of its city or in territory added to the city by the extension of the city's corporate charter.

(c) Effective three years from its enactment, terminates the "central reserve city" classification and reclassifies New York and Chicago as reserve cities.

(d) Requires only one of several holding company affiliates owning or controlling the stock of the same bank or group of banks to maintain reserves of readily marketable assets with respect to the bank stocks they own or control.

Additional copies of this circular will be furnished upon request.

ALFRED HAYES,
President.