

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 5857]
August 17, 1966]

Reserve Requirements Increased From 5% to 6% on Certain Time Deposits

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

Following is the text of a statement issued today by the Board of Governors of the Federal Reserve System:

The Board of Governors of the Federal Reserve System announced today an increase from 5 per cent to the statutory ceiling of 6 per cent in reserve requirements against time deposits (other than savings deposits) in excess of \$5 million at each member bank. To permit orderly adjustments by banks, the effective date of the increase will be the reserve computation period beginning September 8, 1966 for reserve city banks, and the period beginning September 15 for other member banks.

It is estimated that the action will increase required reserves by about \$450 million — approximately \$370 million at reserve city banks and \$75 million at other member banks. This increase is expected to affect mainly the few hundred larger banks issuing savings certificates and other certificates of deposit (CD's) in substantial volume.

This action by the Board follows a similar increase, from 4 per cent to 5 per cent, in reserve requirements on these categories of deposit that was announced at midyear. Like that earlier measure, today's action is designed to exert a tempering influence on bank issuance of time certificates of deposit, and to apply some additional restraint upon the expansion of bank credit to businesses and other borrowers.

Monetary actions already taken have resulted in some moderation of the rate of bank credit growth thus far this year. However, in view of increasing pressures on prices stemming from recent developments in the economy, today's action is being taken to reinforce the anti-inflationary effects of overall monetary restraint.

The Board recognizes that in the period ahead some banks may be faced with unusual pressures, and in such circumstances Federal Reserve discount facilities will be available to assist member banks while they are making an orderly adjustment in their positions. However, such adjustments will be expected to emphasize increased restraint in lending policies and maintenance of an appropriate degree of liquidity on the part of borrowing banks.

Enclosed are copies of the Supplement to Regulation D, giving effect to the increase in reserve requirements. Additional copies of this circular and the enclosure will be furnished upon request.

ALFRED HAYES,
President.

SUPPLEMENT TO REGULATION D

Section 204.5—Supplement

ISSUED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Effective as to member banks in reserve cities at the opening of business on September 8, 1966, and as to all other member banks at the opening of business on September 15, 1966.

(a) **Reserve percentages.**—Pursuant to the provisions of section 19 of the Federal Reserve Act and § 204.2(a) and subject to paragraph (b) of this section, the Board of Governors of the Federal Reserve System hereby prescribes the following reserve balances which 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) 4 per cent of its savings deposits, plus
- (ii) 4 per cent of its other time deposits up to \$5 million and 6 per cent of such deposits in excess of \$5 million, plus
- (iii) 12 per cent of its net demand deposits.

(2) If in a reserve city (except as to any bank located in such a city which 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) 4 per cent of its savings deposits, plus
- (ii) 4 per cent of its other time deposits up to \$5 million and 6 per cent of such deposits in excess of \$5 million, plus
- (iii) 16½ per cent of its net demand deposits.

(b) **Counting of 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.