

COMMENTS ON FEDERAL RESERVE BOARD WEEKLY STATEMENT
ON RESERVE PERCENTAGES

This is a confidential statement which is made up by the Division of Bank Operations, in order that they may follow the current reserve position of the various Federal reserve banks. The law requires that certain minimum reserves be held by the Federal reserve banks, namely, 35 per cent gold certificates behind deposit liabilities, 40 per cent behind Federal reserve notes, while 5 per cent must be held with the Treasury in a redemption fund against the portion of reserves behind Federal reserve notes which is made up of Government bonds and commercial paper. However, this latter amount is allowed to be included in the 40 per cent required gold certificate reserve. It is not sufficient that the reserves of the System as a whole meet the minimum requirements, but it is also necessary that those of the individual Federal reserve banks come up to the amount required. Thus, this statement gives the reserve position of each of the Reserve banks as well as totals for the System as a whole. The Federal Reserve Board must have this information in order that they may carry out the mandates of the law, in cases where there are reserve deficiencies for either notes or deposits of any particular bank. The Board must levy in the case of reserve deficiencies on deposits an amount which the Board may determine, while in the case of notes a graduated tax is specifically designated by the law which sets up the minimum rates that shall be levied.

At present, because there is a large excess of reserves, this statement is not of a great deal of significance. However, it is of a great importance in certain periods when there is a large expansion of bank credit and the reserve requirements are pressing against the gold holdings of the Federal reserve banks.

It should be noted that in case there were an approaching deficiency of reserves against deposits for any particular bank, as appears to be the case for certain banks, notably the San Francisco bank on July 25th, this could be made up by simply shifting some of the reserves that are now held against notes, by depositing bonds or eligible paper with the Federal Reserve Agent, thereby freeing gold certificates which could then be applied as reserves against deposits.

Also it is evident that the Treasury at present could help the reserve position of any Federal reserve bank by simply depositing gold certificates with it. The Treasury by taking over all gold as provided under the Gold Reserve Act of 1934, has a considerable sum that could be used in this way. At present, of course, none of the Federal reserve banks are even closely approximating a position of having a deficient reserve of gold certificates.

RESERVE PERCENTAGES OF JULY 25, AND JULY 18, 1934

Federal Reserve Bank	Ratio of total reserves to deposit and F.R.note liabilities combined		Ratio of reserves in vault and in Gold Settlement Fund to deposits		Ratio of gold certificates with F.R.Agent and in redemption fund to F.R.notes in actual circulation		Ratio of total reserves to F.R.notes in actual circulation after setting aside a 35% reserve against deposits	
	July 25	July 18	July 25	July 18	July 25	July 18	July 25	July 18
Boston	75.3	75.4	45.8	46.4	115.1	114.9	129.8	130.4
New York	71.2	71.0	54.1	53.9	118.3	116.9	170.6	167.2
Philadelphia	67.6	68.5	39.0	38.5	94.2	96.3	98.0	99.5
Cleveland	66.9	66.9	40.4	43.0	90.5	87.8	95.3	94.8
Richmond	63.5	62.6	40.8	39.2	84.8	83.2	90.3	86.8
Atlanta	60.1	59.3	47.8	40.4	68.3	70.9	76.9	74.3
Chicago	73.6	73.3	40.0	39.5	106.1	105.0	110.9	109.3
St. Louis	67.2	66.3	43.9	43.4	90.7	87.9	99.7	95.8
Minneapolis	66.1	65.6	42.2	40.9	87.1	87.2	93.4	92.4
Kansas City	65.6	64.5	43.2	40.9	96.5	96.0	107.8	103.9
Dallas	59.9	60.9	38.2	40.0	121.5	121.7	130.7	136.4
San Francisco	67.5	68.2	37.3	41.3	104.8	102.2	107.6	110.1
SYSTEM	69.9	69.7	46.4	46.4	102.7	101.7	118.7	117.4

FEDERAL RESERVE BOARD
 DIVISION OF BANK OPERATIONS
 JULY 27, 1934.