

1937

BRIEF SUMMARY OF IMPORTANT PROVISIONS OF BILL  
TO REGULATE BANK RESERVES AGAINST FOREIGN  
DEPOSITS

Reserves against Foreign Deposits

Every bank in the United States, having total deposits of all kinds aggregating more than \$10,000,000, would be required to maintain against every deposit in excess of \$7500 to the credit of a foreign depositor a reserve balance with the Federal Reserve bank equal to such percentage of its foreign deposits as the Board of Governors of the Federal Reserve System may from time to time require.

The law would apply to both member and nonmember banks of the Federal Reserve System having deposits of more than \$10,000,000.

Reserve balances required against foreign deposits must not exceed the amount of deposits against which they are required and must be uniform as to all banks having foreign deposits.

Different reserve percentages may be prescribed, however, against foreign demand deposits, savings deposits, and time deposits and against foreign deposits of banks located in central reserve cities, reserve cities, or elsewhere.

A member bank of the Federal Reserve System which would be required under the new law to maintain reserve balances against a foreign deposit exceeding \$7500 would be excused from carrying reserves against that deposit under the now existing reserve requirements of the law. Against deposits of less than \$7500, however, a member bank would continue to carry reserves in accordance with now existing requirements (26 per cent in New York City against demand deposits).

Deposits of Foreign Central Banks and Foreign Governments

The Board of Governors would be given authority to require that all deposit balances maintained in this country by foreign central banks and foreign governments be carried in a Federal Reserve bank, by prohibiting any other bank from receiving such deposits. This authority could be exercised by the Board from time to time whenever it found it necessary to do so.

This provision would not affect banks having total deposits of less than \$10,000,000 and would not affect any deposit not in excess of \$7500.

Obtaining Information as to Foreign Deposits

Each bank subject to the new law would be required to furnish from time to time to the Federal Reserve bank such reports and information as the Board may require with respect to the bank's deposits and depositors. In making such reports a bank would be entitled to rely upon information which it may obtain in good faith from its foreign depositors or their representatives or agents.

Penalties

A bank would be subject to a penalty of \$ \_\_\_\_\_ per day for violation of any provision of the new law and this amount could be collected by the Federal Reserve bank. Also, a Federal Reserve bank could bring suit to enjoin a bank from violating the law.

It would be punishable by fine for any depositor or representative or agent thereof, with intent to deceive, to give false information to any bank in connection with the new law.