

Chairman Eccles:

This revised analysis of the reserve position of member banks does not differ in substance from the preliminary analysis submitted under date of August 1. It gives effect, however, to revisions in some of the underlying reports.

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ANALYSIS OF RESERVE POSITION OF MEMBER BANKS,  
WEEK ENDED WEDNESDAY, JUNE 25, 1941

by

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Member bank excess reserves during the week ended June 25, 1941 amounted to approximately 5.2 billions. If reserve requirements were increased to twice basic statutory requirements (the maximum allowable under present law) excess reserves would be reduced by approximately 1.2 billions. If the law were amended and requirements were increased to two and one-half times the present basic statutory requirements, excess reserves would be reduced by 3.4 billions and would then amount to 1.8 billions. The summary figures by classes of banks are shown in the following table:

Class of banks	Excess reserves on present basis	Reduction which would result if requirements were increased to--	
		Twice basic requirements	2-1/2 times basic requirements
	(Millions of dollars)		
All member banks--total	5,231	1,172	3,423
Central reserve city banks			
New York	2,202	531	1,588
Chicago	410	105	311
Reserve city banks	1,750	352	1,031
Country banks in places with a population of--			
100,000 or more	230	47	127
15,000-100,000	326	72	193
Under 15,000	313	65	173

An analysis has been made of the reserve position of individual member banks during the week ended June 25, 1941, and the results are shown in the accompanying statements. The analysis is based on information supplied by the Federal Reserve Banks in response to the Board's telegram of July 11. One part shows the effect of an increase in reserve requirements to twice basic statutory requirements; the other shows the effect of an increase to two and one-half times basic statutory requirements.

1. If reserve requirements were increased to twice basic statutory requirements-- 26%, 20%, and 14% on demand deposits and 6% on time deposits--

All but 43 member banks could meet such an increase in requirements either out of their present excess reserves or by converting up to one-half of their balances with other banks into reserve balances.

The 43 banks would have an aggregate deficiency of \$782,000 after converting one-half of their bank balances into reserve balances; 23 of them would each have a deficiency of \$5,000 or less.

The largest of these 43 banks had total assets of 27 millions, the second largest 14 millions, and the third largest 6 millions.

35 of the 43 banks were country banks located in places with a population of less than 15,000. The average ratio of loans and investments to total assets of these 35 banks was 84%, compared with 64% for all country banks and 62% for all member banks. Over one-half of these 35 banks were in the three eastern Federal Reserve districts.

A statement listing these 43 banks and showing their loans, investments, deposits, etc., on June 30 is attached. It will be observed that in nearly all cases the ratio of bank balances to deposits of these banks was considerably below that of the average bank.

1,441 banks with reserve balances less than twice basic statutory requirements could meet such an increase by converting up to one-half of their balances with other banks into reserve balances; their aggregate deficiencies before such conversion would be 67 millions.

About three-fourths of the banks whose reserve balances were not sufficient to meet an increase to twice basic requirements would have sufficient reserves after converting not more than 10 per cent of their bank balances into reserve balances. There were a few banks, however, that would not have enough reserves even after converting all of their bank balances into reserve balances. The accompanying table distributes the member banks according to the percentage of bank balances that would have to be converted into reserve balances.

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DISTRIBUTION OF MEMBER BANKS ACCORDING TO THE PERCENTAGE  
OF BANK BALANCES THAT WOULD HAVE TO BE CONVERTED INTO  
RESERVE BALANCES TO MEET AN INCREASE IN RESERVE  
REQUIREMENTS TO Twice Basic Requirements

Class of banks	Total number of banks	Number with suffi- cient reserves	Number of banks that would have to convert the following percentages of bank balances into reserve balances--						
			10% or less	11- 20%	21- 30%	31- 50%	51- 70%	71- 100%	Over 100%
All member banks	6,549	5,065	1,105	216	61	59	7	17	19
Central reserve city banks:									
New York	36	26	2	3	1	3	--	--	1
Chicago	12	8	--	2	1	1	--	--	--
Reserve city banks	345	265	60	14	4	1	--	1	--
Country banks in places with a population of--									
100,000 or more	199	138	45	9	3	3	--	--	1
15,000-100,000	1,001	733	219	32	5	7	1	2	2
Under 15,000	4,956	3,895	779	156	47	44	6	14	15

2. If reserve requirements were increased to two and one-half times basic statutory requirements --  $32\frac{1}{2}\%$ , 25%, and  $17\frac{1}{2}\%$  on demand deposits and  $7\frac{1}{2}\%$  on time deposits--

261 member banks would have to provide additional reserves after converting one-half of their balances with other banks into reserve balances. These banks would have an aggregate deficiency of 180 millions after converting one-half of their bank balances into reserve balances.

2,977 banks with reserve balances less than two and one-half times basic statutory requirements could meet such an increase by converting up to one-half of their balances with other banks into reserve balances.

3,311 banks--about half the total number of member banks--had reserve balances sufficient to meet an increase to two and one-half times the basic statutory requirements.

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