TO THE MEMBER BANKS OF DISTRICT NUMBER SEVEN:

The bill recently passed by Congress amending the Federal Reserve Act was approved by the President on June 21st, 1917, and is effective from that date. Section 19 of the Federal Reserve Act as amended, provides in part as follows:

"Sec. 19. Demand deposits within the meaning of this Act shall comprise all deposits payable within thirty days, and time deposits shall comprise all deposits payable after thirty days, all savings accounts and certificates of deposit which are subject to not less than thirty days' notice before payment, and all postal savings deposits.

Every bank, banking association, or trust company which is or which becomes a member of any Federal Reserve Bank shall establish and maintain reserve balances with its Federal Reserve Bank as follows:

(a) If not in a reserve or central reserve city, as now or hereafter defined, it shall hold and maintain with the Federal Reserve Bank of its district an actual net balance equal to not less than seven percentum of the aggregate amount of its demand deposits and three percentum of its time deposits.

(b) If in a reserve city, as now or hereafter defined it shall hold and maintain with the Federal Reserve Bank of its district an actual net balance equal to not less than ten percentum of the aggregate amount of its demand deposits and three percentum of its time deposits.

(c) If in a central reserve city, as now or hereafter defined, it shall hold and maintain with the Federal Reserve Bank of its district an actual net balance equal to not less than thirteen percentum of the aggregate amount of its demand deposits and three percentum of its time deposits."

It will be noted that one effect of the new requirements is to leave entirely to the discretion of each member bank the matter of the amount and kinds of money which will be kept in its own vaults.

In accordance with the foregoing provisions and in keeping with a communication received from the Federal Reserve Board at Washington, under date of June 22nd, 1917, Central Reserve City member banks were requested to comply
with the new reserve requirements of the Act not later than June 27th, 1917. All other member banks are hereby requested to do likewise as soon as practicable, but not later than July 15th, 1917. It is especially requested that member banks build up their balances as far as possible by remitting cash from their own vaults.

In order to expedite the transfer of cash, member banks are authorized to ship us for credit at our expense at any time before July 5, 1917, gold, gold certificates, legal tender notes and silver certificates. Shipments of currency in denominations of $5.00 or larger should be made, if possible, by registered mail insured.

It must be evident to all banks that it is to their own interest to strengthen as far as possible the reserve and lending power of their Federal Reserve Banks, the facilities of which are likely to be used extensively in connection with the shifting of funds incident to the payments to be made on account of Liberty bond subscriptions. Every bank, member and non-member, should, therefore, do its utmost to strengthen the gold reserve of the Federal Reserve Banks by promptly transferring such vault money as can be spared and by exchanging gold certificates and gold for Federal reserve notes, thereby helping to carry out the policy adopted for the public welfare of encouraging, for purposes of general circulation, the use of Federal reserve notes rather than of gold certificates.

Respectfully,

JAMES B. McDougal
Governor.
FEDERAL RESERVE BANK OF CHICAGO

DIVIDEND NO. 3

TO THE MEMBER BANKS OF DISTRICT NUMBER SEVEN:

Enclosed herewith please find check representing your participation in a dividend at the rate of six per centum per annum covering the period from January 1, 1916 to June 30, 1916. No acknowledgment is necessary.

Respectfully,

JAMES B. McDougal
Governor.

Chicago, June 29, 1917.