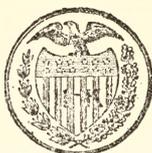


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 FEDERAL RESERVE AGENT



## FEDERAL RESERVE BANK OF DALLAS

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DALLAS, TEXAS, October 19, 1918.

### How to Provide for Maturing Obligations to Prevent Impairment or Elimination of Legal Reserve.

#### TO THE MEMBER BANK ADDRESSED:

The attention of member banks is directed to the advantage or advisability of retaining detailed advices of credit sent them by our Loan & Discount Department covering the rediscount of their customers' notes as well as their Bills Payable, until after such obligations have been fully disposed of.

The advices referred to are exact copies of the records of this bank and in conjunction with "Application for Rediscount" (Form B. D. 29) are intended to show the essential details of the items under discount, i. e., names of makers and endorsers, maturity value, and a brief description of any collateral, rate of discount charged, time for which rediscounted and dates when such items are payable.

It is an established custom of this bank to invariably charge to the accounts of member banks on day of maturity, rediscounts on which they are liable as endorsers, and also their Bills Payable. It has been our observation that in numerous instances, owing to failure to provide promptly for such maturities member banks' reserve balances have become impaired and they have been compelled to suffer the penalty provided in such cases, in addition to telegraphic expense where necessary.

The memorandum advices referred to are of uniform size, and the suggestion is made that they be filed in the order of their maturity. In this manner, with little trouble, the member bank will have available for immediate reference full details of its outstanding rediscount liability with this bank and need never be in doubt as to the maturity of the items constituting same.

It is also believed that this will greatly facilitate the checking of daily transcripts of account which do not enumerate the various items but instead merely show total amount charged to cover same.

In connection with the above, owing to the volume of rediscounts that are offered us, it is at times impossible for our Executive Committee to pass upon all offerings on day of receipt, and in cases where this cannot be done it is our custom to allow credit for such offerings on the following business day, discount being calculated from day of receipt (provided received in business hours), and improvement entered in member banks' reserve balances accordingly. In cases of this nature the memorandum advice above referred to will give this information in the left hand margin under the head "Date Discounted." By way of illustration, a note received during business hours on October 14th but not credited until the following day would be shown on memorandum advise as follows.

"Date Discounted"

"10-15" (Date credited member bank's account)

"64-14" (Indicating that item was discounted for 64 days from Oct. 14).

In all cases it should be borne distinctly in mind that a member bank's sole legal reserve is the collected balance to its credit on the books of the Federal Reserve Bank, that is, the balance shown on the transcript forwarded daily to all member banks, plus any improvement proper to take into consideration by reason of delays in the mail, inability on account of congestion to handle offerings or remittances, or otherwise. It is essential to avoid impairment or total elimination of legal reserve to forward remittances of funds available for credit on receipt here in sufficient time to be credited to the reserve account to meet the charge for maturing rediscounts or Bills Payable which such remittances are intended to cover. In the event that other paper is submitted for rediscount, the proceeds of which are intended to cover maturing obligations, the offering should be submitted in sufficient time for action by our Executive Committee and for proceeds to be credited to the reserve account, as noted immediately above in the case of remittances.

The above suggestions are made in the interest of our member banks and for the purpose of saving them unnecessary penalties on account of reserve deficiencies; therefore your kind consideration is requested.

*R. L. Van Zandt*  
 Governor.