



FEDERAL RESERVE BANK
OF DALLAS

Circular No. 4
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February 19th, 1920.

TO THE MEMBER BANK ADDRESSED:

The following letter has just been received from the Federal Reserve Board and is transmitted to you for your guidance:

"Section 19 of the Federal Reserve Act, which relates to reserve requirements of member banks and which supersedes Section 5191, Revised Statutes, provides in part as follows:

"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: _ _ _

"In estimating the balances required by this Act, the net difference of amounts due to and from other banks shall be taken as the basis for ascertaining the deposits against which required balances with Federal Reserve Banks shall be determined."

"In determining their net deposit liability on which reserve is computed, member banks are permitted under present rulings to deduct the total of:

- (a) Balances due from banks, other than Federal Reserve Bank;
- (b) Items with Federal Reserve Bank in process of collection;
- (c) 'Exchanges for clearing-house';
- (d) Checks on other banks in the same place;

from the total of:

- (a) Balances due to banks other than Federal Reserve Bank;
- (b) Cashier's, Secretary's or Treasurer's checks on own bank outstanding;
- (c) Certified checks outstanding.

"It will be noted from the above that while banks are allowed to deduct 'items with Federal Reserve Bank in process of collection' from 'balances due to banks, etc', they are not required to carry reserves against items in process of collection which they have received from the Federal Reserve Bank, i.e., items which they have received from the Federal Reserve Bank and charged to their depositors' accounts, but for which the Federal Reserve Bank has been given deferred credit for the number of days elapsing between the day the checks are charged

to the depositors' accounts and the day on which, in accordance with the published time schedule, they become a charge against the bank's reserve account on the books of the Federal Reserve Bank.

"It is evident, however, that amounts for which Federal Reserve Banks have been given deferred credit must be included with amounts due to banks and bankers, if items with the Federal Reserve Bank in process of collection are allowed as deductions in ascertaining the net deposit liability on which reserve is computed.

"Accordingly, the Federal Reserve Board has ruled that in computing their net deposit liabilities on which reserve is computed banks may deduct the total of

- (a) Balances due from banks, other than Federal Reserve Bank and foreign banks;
- (b) Items with Federal Reserve Bank in process of collection;
- (c) 'Exchanges for clearing-house;'
- (d) Checks on other banks in same place;

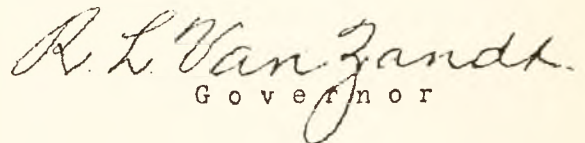
from the total of

- (a) Balances due to all banks, other than Federal Reserve Bank;
- (b) Due to Federal Reserve Bank - deferred credits;
- (c) Cashier's, Secretary's or Treasurer's checks on own bank outstanding;
- (d) Certified checks outstanding."

There is attached hereto a specimen form, indicating the manner in which member banks may calculate the amount of reserve required to be carried with the Federal Reserve Bank.

This form supersedes the ones heretofore used for this purpose, and if desired the Federal Reserve Bank of Dallas will furnish its member banks with a sufficient supply of the new forms for their use in computing daily reserves required to be maintained.

Yours very truly,


Governor

COMPUTATION OF RESERVE TO BE CARRIED WITH THE
FEDERAL RESERVE BANK BY MEMBER BANKS.

DEMAND DEPOSITS

- 1. Deposits, other than United States Government and bank deposits, payable within thirty days..... \$ _____
- 2. Balances due to all banks other than Federal Reserve Bank (1)..... \$ _____
- 3. Balance due to Federal Reserve Bank - Deferred credits..... \$ _____
- 4. Cashier's, Secretary's or Treasurer's checks on own bank outstanding..... \$ _____
- 5. Certified checks outstanding..... \$ _____
- TOTAL DUE TO BANKS (Items 2, 3, 4 and 5)..... \$ _____

Less:

- 6. Balances due from banks other than Federal Reserve Bank and foreign banks..... \$ _____
- 7. Items with Federal Reserve Bank in process of collection..... \$ _____
- 8. Exchanges for clearing house..... \$ _____
- 9. Checks on other banks in same place..... \$ _____
- TOTAL DEDUCTIONS FROM BANK DEPOSITS (Items 6, 7, 8 and 9)..... \$ _____
- 10. Net balance due to banks#..... \$ _____
- 11. TOTAL DEMAND DEPOSITS (Items 1 and 10)..... \$ _____

TIME DEPOSITS

- 12. Savings accounts (subject to not less than thirty days' notice before payment)..... \$ _____
- 13. Certificates of deposit (subject to not less than thirty days' notice before payment).... \$ _____
- 14. Other deposits payable only after thirty days..... \$ _____
- 15. Postal Savings deposits..... \$ _____
- 16. TOTAL TIME DEPOSITS (Items 12, 13, 14 and 15).... \$ _____

RESERVE REQUIRED:

Demand deposits:

- Banks in Central Reserve Cities, 13 per cent of Item 11..... \$ _____
- Banks in other Reserve Cities, 10 per cent of Item 11..... \$ _____
- Banks outside Reserve and Central Reserve Cities, 7 per cent of Item 11..... \$ _____

Time deposits:

- All banks, 3 per cent of Item 16..... \$ _____

TOTAL RESERVE TO BE MAINTAINED WITH FEDERAL RESERVE BANK..... \$ _____

#Should the aggregate "due from banks" (Items 6,7,8 and 9) exceed the aggregate "due to banks" (Items 2,3,4 and 5), both amounts must be omitted from the calculation.

NOTE. "Balances due to all banks other than Federal Reserve Bank" (Item 2, Demand Deposits) should include balances due to foreign banks.