

FEDERAL RESERVE BANK OF DALLAS

Dallas, Texas, January 5, 1928.

To the Member Bank Addressed:

Under date of December 27 we sent you by registered mail a copy of the new edition of the Federal Reserve Board's Regulations, series of 1928, which became effective January 3, 1928. Your attention was at that time called to certain amendments as summarized by the Federal Reserve Board in its letter of transmittal appearing on pages 5 and 6 of the new regulations.

The purpose of this circular is to direct your particular attention to changes in amended Regulation D with respect to reserves of member banks.

Periods for Reserve Computation

It will be observed that, under the provisions of the new Regulation D, reserve requirements of member banks located in the cities of Dallas, Houston, San Antonio and El Paso are to be computed on a semi-weekly basis, instead of a weekly basis as heretofore. Under the new plan of computation applicable to the cities mentioned one of the semi-weekly periods will embrace Saturday, Sunday, Monday and Tuesday, and the other will embrace Wednesday, Thursday and Friday. Reports of net deposits should, therefore, be furnished accordingly.

With respect to banks located elsewhere than in the cities mentioned in the foregoing paragraph there will be no change for the present in the periods for calculating reserve requirements and reports of net deposits should be furnished for the same periods as heretofore.

Definition of Government Deposits

It will be observed that the definition of Government deposits in the new Regulation D includes only "deposits of public moneys by the United States in designated depositories," and does not include deposits of public moneys by any other government or political subdivision, nor deposits by states, counties, or municipalities, whether secured or unsecured.

Loans and Dividends Prohibited While Reserves Are Deficient

We quote below Section 5 of new Regulation D bearing on this subject:

"It is unlawful for any member bank the reserves of which are at any time deficient to make any new loans or pay any dividends unless and until the total reserves required by law are fully restored, and the payment of penalties for deficiencies in reserves does not exempt member banks from this prohibition of law. As provided above, penalties for deficiencies in reserves are computed on the basis of the average reserve balances for semi-weekly, weekly, or semi-monthly periods; but this prohibition of law applies whenever the reserves are deficient for one day or more, regardless of whether or not the average reserve balances for the semi-weekly, weekly, or semi-monthly period are deficient."

Helpful Suggestions

Inasmuch as this bank is quite reluctant to assess penalties on account of reserve deficiencies, and with a view of avoiding the necessity for doing so, the following suggestions are offered:

Reserve computations are made on a basis of actually collected balances due member banks according to our books. It is, therefore, essential that, as far as possible, entries on the books of member banks correspond with entries as made on the books of this bank.

It has been our observation that quite frequently reserve deficiencies are occasioned through member banks charging our account with items in process of collection, whereas charges therefor should not be made until availability dates as shown by our transit schedule.

Another cause of deficiencies is the fact that some member banks do not credit us with currency shipments until they are actually received by them, whereas the charge therefor is made on our books as of date of shipment.

Still another reason for deficiencies is the fact that during the crop moving period, with the rapid increase in deposits, sometimes consideration is not given early enough to the matter of corresponding increase in reserve requirements.

Attention is directed to the fact that proceeds of loan offerings do not become available for reserve purposes until actually credited to member banks' accounts on our books. While we endeavor to credit the proceeds of such offerings as promptly as possible, the suggestion is made that they may be submitted in advance of actual requirements, with instructions to approve and hold for credit when directed by member banks.

Inasmuch as transcripts of account are rendered daily if member banks will carefully check them with their own ledgers upon receipt, many discrepancies will be noticed immediately and reserve deficiencies thereby avoided.

Formula for Calculating Reserve Requirements

On the opposite sheet we give a formula for the purpose of calculating legal reserve requirements. This formula likewise appears on the reverse of the form used for reporting net deposits.

Yours very truly,



Chairman of the Board.

**FORMULA FOR CALCULATING DEMAND AND TIME DEPOSITS ON WHICH
MEMBER BANKS ARE REQUIRED TO CARRY RESERVE**

DEMAND DEPOSITS

- | | | |
|---|---------|---------|
| 1. Deposits (including dividends unpaid), other than United States Government and bank deposits, payable within thirty days*..... | | \$..... |
| 2. Balances due to all banks other than Federal Reserve Bank**..... | \$..... | |
| 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 DUE FROM BANKS (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)..... | \$..... |

*Certificates of deposit, due in less than 30 days (other than for money borrowed) must be included in Item No. 1.

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

***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.