

FEDERAL RESERVE BANK  
OF DALLAS

Dallas, Texas, February 25, 1942

**To the Member Banks of the  
Eleventh Federal Reserve District:**

There is enclosed an amendment to Regulation D, adopted by the Board of Governors of the Federal Reserve System, effective with the reserve computation period beginning February 28, 1942. This amendment affects only the member banks in Dallas, Houston, San Antonio and El Paso, but is being sent to all member banks for their information.

Simultaneously with the adoption of the amendment, the Board of Governors issued the following press statement relative thereto:

“Under Regulation D of the Board of Governors of the Federal Reserve System, deficiencies in reserve balances of member banks in in cities where Federal Reserve banks or branches thereof are located and in a few other reserve cities are at present computed on the basis of average daily net deposit balances covering semiweekly periods. Such computations by member banks in other reserve cities are made on a weekly basis.

“The Board has amended Regulation D, effective with the reserve computation period beginning February 28, 1942, so as to provide that member banks in all central reserve and reserve cities shall make such computations on a weekly basis. This change places banks in all these cities, including those in which Federal Reserve banks or branches are located, on the same basis in this respect and has been made for the convenience of member banks in these cities in adjusting their reserve positions.

“Country banks, i. e., those located outside of central reserve or reserve cities, will continue as heretofore to compute deficiencies in reserve balances on a semimonthly basis.”

Member banks are requested to insert this amendment in their ring binders.

Yours very truly,

R. R. GILBERT

President



**AMENDMENT TO REGULATION D**

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**ISSUED BY THE BOARD OF GOVERNORS**

**OF THE FEDERAL RESERVE SYSTEM**

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Effective with the reserve computation period  
beginning February 28, 1942

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Regulation D, Reserves of Member Banks, is hereby amended in the following respects, effective with the reserve computation period beginning February 28, 1942:

1. Subsection (a) of section 3 of Regulation D is amended to read as follows:

**(a) Computation of deficiencies.**

(1) Deficiencies in reserve balances of member banks in central reserve cities and in reserve cities shall be computed on the basis of average daily net deposit balances covering weekly periods. Deficiencies in reserve balances of other member banks shall be computed on the basis of average daily net deposit balances covering semimonthly periods.<sup>1</sup>

(2) In computing such deficiencies the required reserve balance of each member bank at the close of business each day shall be based upon its net deposit balances at the opening of business on the same day; and the weekly and semimonthly periods referred to in paragraph (1) hereof shall end at the close of business on days to be fixed by the Federal Reserve banks with the approval of the Board of Governors of the Federal Reserve System.

2. Section 4 of Regulation D is amended to read as follows:

**SECTION 4. LOANS AND DIVIDENDS WHILE RESERVES ARE DEFICIENT**

It is unlawful for any member bank the reserves of which are 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 in section 3 of this regulation, penalties for deficiencies in reserves are computed on the basis of the average reserve balances for weekly or semimonthly 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 weekly or semimonthly period are deficient.

<sup>1</sup>Deficiencies in reserve balances of member banks in outlying sections of central reserve and reserve cities which have been authorized by the Board of Governors of the Federal Reserve System, under the provisions of subsection (a) of section 2 of this regulation, to maintain seven per cent reserves against demand deposits, will also be computed on the basis of average daily net deposit balances covering semimonthly periods.