

FEDERAL RESERVE BANK
OF DALLAS

Dallas, Texas, April 14, 1942

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

There are enclosed revised pages 1 and 2 of Bulletin No. 4, relating to reserve requirements of member banks. Page 1 sets forth the reserve requirements adopted by the Board of Governors of the Federal Reserve System on September 23, 1941, effective November 1, 1941, as shown in the Supplement to the Board's Regulation D, which was forwarded to all member banks on September 24, 1941. Page 2 has been revised to incorporate the change in the period to be used in the computation of reserve deficiencies of member banks located in Dallas, El Paso, Houston and San Antonio, as provided in the amendment to Regulation D, which was forwarded to all member banks on February 25, 1942.

These revised pages should be inserted in the ring binder containing the current bulletins of this bank and the regulations of the Board of Governors of the Federal Reserve System in lieu of the corresponding pages dated September 15, 1939.

Yours very truly,

R. R. GILBERT

President



RESERVE REQUIREMENTS

To the Member Banks of the
Eleventh Federal Reserve District:

Unless otherwise stated, all references to the Federal Reserve Bank of Dallas will include the head office and all of its branches.

STATUTORY PROVISIONS

The actual net balance which each member bank is required to maintain on deposit with its Federal Reserve bank as a reserve against its deposit liabilities is subject to change by such percentage, within the limitations prescribed by law, as the Board of Governors of the Federal Reserve System shall prescribe from time to time, pursuant to the sixth paragraph of Section 19 of the Federal Reserve Act, as amended.

Effective November 1, 1941, member banks are required to maintain reserve balances with the Federal Reserve bank of their district equal to 6% of their time deposits plus—

14 per cent of their net demand deposits if not in a reserve or central reserve city.

20 per cent of their net demand deposits if in a reserve city.

26 per cent of their net demand deposits if located in a central reserve city.

There are no central reserve cities in the Eleventh Federal Reserve District, but there are seven reserve cities—Dallas, El Paso, Fort Worth, Galveston, Houston, San Antonio and Waco.

DEMAND AND TIME DEPOSITS DEFINED

Demand deposits—The term “demand deposits” includes all deposits except “time deposits.”

Time deposits—The term “time deposits” means “time certificates of deposit” and “time deposits, open account,” with maturities of not less than thirty days after the date of deposit, and “savings deposits” in respect to which the depositor is required, or may at any time be required, to give not less than thirty days notice in writing of intended withdrawal.

For more detailed definitions of “Demand” and “Time” deposits and for detailed information regarding deductions allowed in computing reserves, refer to Regulation “D” of the Board of Governors of the Federal Reserve System.

CONTINUANCE OF "TIME DEPOSIT" STATUS

A deposit which at the time of deposit was a "deposit evidenced by a time certificate of deposit," "time deposit, open account," or "savings deposit" continues to be a "time deposit" until maturity or the expiration of the period of notice of withdrawal, although it has become payable within thirty days. After the date of maturity of any time deposit, such deposit is a demand deposit. After the expiration of the period of notice given with respect to the repayment of any savings deposit or other time deposit, such deposit is a demand deposit, except that if the owner of such deposit advises the bank in writing that the deposit will not be withdrawn pursuant to such notice or that the deposit will thereafter again be subject to the contract or requirements applicable to such deposits, the deposit will again constitute a savings deposit or other time deposit, as the case may be, after the date upon which such advice is received by the bank.

PENALTIES FOR DEFICIENCIES IN REQUIRED RESERVES

The required balance carried by a member bank with the Federal Reserve Bank of Dallas may, under the regulations and subject to such penalties as may be prescribed by the Board of Governors of the Federal Reserve System, be checked against and withdrawn by such member bank for the purpose of meeting existing liabilities: Provided, however, that no bank shall at any time make new loans or pay any dividends unless and until the total balance required by law is fully restored. The payment of penalties for deficiencies in reserves does not exempt member banks from this prohibition of law. 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 balances for the weekly, or semimonthly period are deficient.

Deficiencies in reserve balances of member banks in reserve cities will be computed on the basis of average daily net deposit balances covering weekly periods.

Deficiencies in reserve balances of other member banks will be computed on the basis of average daily net deposit balances covering semimonthly periods.

Penalties for such deficiencies will be assessed monthly on the basis of average daily deficiencies during each of the reserve computation periods ending in the preceding calendar month.

The penalty for deficiencies in reserves has been fixed by the Board of Governors of the Federal Reserve System at a rate of 2% per annum above the Federal Reserve bank rate applicable to discounts of 90-day commercial paper for member banks in effect on the first day of the calendar month in which the deficiencies occurred.

RESERVE ACCOUNTING

Average reserve balances are determined from the balances maintained by member banks as shown by the books of the Federal Reserve Bank of Dallas.

For their own convenience and in their own interest, member banks are