

FEDERAL RESERVE BANK OF DALLAS  
DALLAS, TEXAS

May 4, 1961

**RESERVES OF MEMBER BANKS**  
(Revision of Bulletin No. 4 and Supplement)

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

There is attached a revision dated May 4, 1961, of Bulletin No. 4 of the Federal Reserve Bank of Dallas entitled "Reserves of Member Banks." This supersedes our Bulletin No. 4 entitled "Reports of Deposits" dated December 1, 1959. Accompanying this revised bulletin is a new 1961 Supplement to Bulletin No. 4, "Schedule of Biweekly Reserve Computation Periods Ending in the Year 1961." Please substitute the new Bulletin and Supplement for the corresponding Bulletin and Supplement bearing the date of December 1, 1959, now on file in your ring binder of Regulations of the Board of Governors of the Federal Reserve System and Bulletins of the Federal Reserve Bank of Dallas. Please destroy the superseded Bulletin and Supplement.

This revision of Bulletin No. 4 should not change your usual procedure in the compilation of the Report of Deposits and Related Data which you send to us each week. There have been some editorial changes intended principally to clarify and simplify the subject matter. In addition, the item numbers in the parenthetical references to the call reports of condition have been changed in the formula (Form F.R. 414) for "Computation of Reserve To Be Carried with the Federal Reserve Bank by Member Banks" on page 4 of Bulletin No. 4. These last mentioned changes have been made in order to bring the references in the formula on page 4 into conformity with the recently revised call reports of condition in which changes were made requiring the renumbering of items in Schedule D, "Cash, Balances with Other Banks, and Cash Items in Process of Collection," and Schedule E, "Demand Deposits."

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Later on these changes in references to the call reports of condition will be incorporated in the form of Report of Deposits and Related Data (AC-8 for reserve city banks, and AC-62 A3 for nonreserve city banks), and a supply of the appropriate revised form will be furnished you. However, until present supplies are exhausted, it will be appreciated if you will use the existing forms, bearing in mind that the references thereon to the Report of Condition pertain to the form of report used by you prior to the April 12, 1961 call. The formula on page 4 of the attached revised Bulletin No. 4 carries the correct references to the call reports of condition currently in use.

Yours very truly,

Watrous H. Irons

President

Enclosures

## **RESERVES OF MEMBER BANKS**

To the Member Banks of the  
Eleventh Federal Reserve District:

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

Under Section 19 of the Federal Reserve Act, as amended, every member bank is required to establish and maintain a reserve balance as prescribed by the Board of Governors of the Federal Reserve System within the limitations set forth in the section mentioned. The percentages applicable to the various classes of banks will be found in the current Supplement to Regulation D issued by the Board of Governors of the Federal Reserve System which also includes current instructions regarding the counting of currency and coin in partial compliance with reserve requirements.

### **DEFINITIONS**

For the determination of the reserve status of member banks, the Board of Governors of the Federal Reserve System defines the various classes of deposits, as well as currency and coin and "countable" currency and coin. The Board's definitions will be found in Section 204.1 of Regulation D.

### **REPORTS OF DEPOSITS AND RELATED DATA**

At the close of business on each Wednesday, each member bank should send to the Federal Reserve Bank a report of deposits and related data on forms to be furnished. At the close of the reserve computation period (every Wednesday for reserve city banks and every other Wednesday for nonreserve city banks), these reports will be used in determining whether reserves have been maintained as required by law. (See Schedule of Biweekly Reserve Computation Periods which is issued each year as a supplement to this Bulletin.)

It is important that the completed reports be sent to the Federal Reserve Bank as quickly as possible. In many instances early receipt of a report makes it possible to advise a member bank how it may offset a deficiency, under certain circumstances, with a minimum of inconvenience. Since as noted below the balances for a given day are the balances at the opening of business, it should be possible to send the report each Wednesday evening, even though the practice of "delayed posting" is followed. The cooperation of member banks in sending the reports each Wednesday evening will be greatly appreciated.

Amounts reported for each date on the report of deposits and related data, including amounts reported as currency and coin, should be the balances at the OPENING of business on that date. Accordingly, balances for Sunday and Monday will be identical and will be those at the close of business on Saturday. If Saturday is a nonbusiness day, balances for Saturday, Sunday, and Monday will be identical and will be those at the close of Friday. Balances reported for a holiday will be those at the close of the preceding business day, and they will be repeated for the next business day. The amount of the reserve balance maintained at the Federal Reserve Bank is computed at the close of business each business day and repeated for each next subsequent nonbusiness day.

It will be observed that at the top of each column of the form provided for reporting deposits and related data, there is inserted a reference to the corresponding items and schedules in the call reports of condition. It is believed that the use of these references will assist you in the proper preparation of your reports. It should be noted that the figures for U. S. Government demand deposits (column 2) should include balances in the Treasury Tax and Loan account and the Series E Bond account, as well as all demand deposits of public moneys made by or for the account of the United States or some department, bureau, or official thereof. Amounts reportable as currency and coin (column 8) should include currency and coin in transit to and from the Federal Reserve Bank. For complete definitions of U. S. Government demand deposits and of currency and coin, attention is directed to the instructions for preparation of reports of condition issued by the banking supervisory authorities.

### COMPUTATION OF RESERVES

A formula is provided on page 4 of this bulletin as a guide to use in the determination of the amount of reserves required. Each member bank is urged to make its own computation of reserves required and maintained so as to keep in close touch with its reserve position on a current basis. It will be noted that the report form for nonreserve city banks provides a copy for the reporting bank's file showing all of the deposit and other figures which are reported. It is hoped that this copy, together with the formula mentioned and the explanation in the following paragraph, will aid member banks in making their own reserve computations. (If they care to do so, reserve city banks may make a copy of the report for their files using an additional form.)

As indicated by parenthetical references, the various items in the formula on page 4 of this bulletin correspond to certain items and schedules in the call reports of condition. Gross demand deposits are to be divided into (a) demand deposits of banks, (b) U. S. Government demand deposits, and (c) other demand deposits, and should include all of the demand deposit liabilities that would be shown in Schedule E of the call reports of condition.

Attention is directed to the provisions of Section 204.3(a)(2) of Regulation D with respect to computation periods that end with a nonbusiness day, or two or more consecutive nonbusiness days, of a member bank or its Federal Reserve Bank. In such cases the nonbusiness day or days, at the option of the member bank, may be included in the next reserve computation period. This will not change the usual reporting procedure; however, the member bank should advise this bank as soon as possible of its option to transfer the nonbusiness day, or days, to the following reserve computation period.

### **PENALTIES FOR DEFICIENCIES IN RESERVES**

As provided in Section 204.3(a) (1) of Regulation D, deficiencies in reserve balances will be computed on the basis of average daily net deposit balances and average daily countable currency and coin during the reserve computation period.

A member bank will be notified of any deficiency that may have occurred in its reserve account. Penalties for deficiencies will be assessed monthly on the basis of average daily deficiencies during any reserve computation period 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 2 per cent per annum above the 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 computation period ends.

### **WAIVER OF PENALTIES**

The Board of Governors has given the Federal Reserve Banks authority, in their discretion, to waive the assessment of penalties for deficiencies in the reserves of member banks in the following circumstances:

When a member bank is deficient in reserves during any reserve computation period, the penalty for the deficiency may be waived to the extent that the deficiency is offset by excess reserves during the immediately following reserve computation period, provided that such deficiency does not exceed 2 per cent of the member bank's required reserve.

This rule was adopted with the definite objective of reducing the number of occasions on which member banks might otherwise incur deficient reserve penalties. However, the law contemplates that member banks should make reasonable efforts to hold and maintain the prescribed reserve balances from day to day, making allowance for unforeseen fluctuations in deposits and reserves, even though penalties are assessed on daily average deficiencies over prescribed periods.

The right is reserved to withdraw, add to, or amend at any time, any of the provisions of this bulletin.

Yours very truly,

Watrous H. Irons

President

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FOR THE FORMULA FOR "COMPUTATION OF RESERVE TO BE CARRIED WITH THE FEDERAL RESERVE BANK BY MEMBER BANKS" SEE THE FOLLOWING PAGE.

Form F. R. 414  
(Rev. 4-61)

Form approved  
Budget Bureau No. 55-R159.4

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

(For definitions of the terms gross demand deposits, deductions allowed in computing reserves, cash items in process of collection, net demand deposits, time deposits, and currency and coin, see Regulation D of the Board of Governors of the Federal Reserve System.)

**1. GROSS DEMAND DEPOSITS:**

- (a) Demand deposits of banks<sup>1</sup> (opening of business) - - - - - \$.....  
(Corresponds to items 6 and 7 in Schedule E of call reports of condition)
- (b) U. S. Government demand deposits<sup>2</sup> (opening of business) - - - - - .....  
(Corresponds to item 4 in Schedule E of call reports of condition)
- (c) Other demand deposits (opening of business) - - - - - ..... \$.....  
(Corresponds to items 1, 2, 5, and 8 in Schedule E of call reports of condition)

**2. DEDUCTIONS ALLOWED IN COMPUTING RESERVES:**

- (a) Cash items in process of collection, except to the extent included in item 2(b) (including checks with Federal Reserve Banks in process of collection and checks on hand which will be presented for payment or forwarded for collection on the following business day) (opening of business) - - - - - .....  
(Corresponds to item 1 in Schedule D of call reports of condition)
- (b) Balances subject to immediate withdrawal due from other banks (including cash items forwarded to a correspondent bank for collection and credit and charged to "Due from banks," but excluding balances due from Federal Reserve Banks, from foreign banks or branches thereof, from foreign branches of domestic banks, or from private banks)<sup>1</sup> (opening of business) - - - - - .....  
(Corresponds to item 2 in Schedule D of call reports of condition)

**3. NET DEMAND DEPOSITS (item 1 minus item 2)** - - - - - .....           

**4. TIME DEPOSITS (opening of business)** - - - - - .....             
(See Schedule F of call reports of condition for items constituting time deposits)

**5. RESERVE REQUIRED<sup>3</sup>:**

- (a) On net demand deposits (item 3 above):
  - Banks in central reserve cities, .....per cent - - - - - .....
  - Banks in reserve cities, .....per cent - - - - - .....
  - Banks located elsewhere, .....per cent - - - - - .....
- (b) On time deposits (item 4 above): .....per cent - - - - - .....
- (c) Total required reserves to be maintained - - - - - .....

**6. Currency and Coin (opening of business)** - - - - - .....             
(Corresponds to item 5 in Schedule D of call reports of condition)

**7. Reserves to be maintained with Federal Reserve Bank** - - - - - .....             
(Item 5(c) minus item 6)

<sup>1</sup>Reciprocal interbank demand deposits with banks in the United States, except private banks and American branches of foreign banks, must be reported net.

<sup>2</sup>Includes balances in Treasury tax and loan account and Series E bond account.

<sup>3</sup>For current required reserve percentages, see latest supplement to Regulation D.

SCHEDULE OF BIWEEKLY RESERVE COMPUTATION PERIODS  
ENDING IN THE YEAR 1961

<u>Period Begins with*</u>	<u>Period Ends with*</u>
December 29, 1960	January 11, 1961
January 12, 1961	January 25, 1961
January 26, 1961	February 8, 1961
February 9, 1961	February 22, 1961
February 23, 1961	March 8, 1961
March 9, 1961	March 22, 1961
March 23, 1961	April 5, 1961
April 6, 1961	April 19, 1961
April 20, 1961	May 3, 1961
May 4, 1961	May 17, 1961
May 18, 1961	May 31, 1961
June 1, 1961	June 14, 1961
June 15, 1961	June 28, 1961
June 29, 1961	July 12, 1961
July 13, 1961	July 26, 1961
July 27, 1961	August 9, 1961
August 10, 1961	August 23, 1961
August 24, 1961	September 6, 1961
September 7, 1961	September 20, 1961
September 21, 1961	October 4, 1961
October 5, 1961	October 18, 1961
October 19, 1961	November 1, 1961
November 2, 1961	November 15, 1961
November 16, 1961	November 29, 1961
November 30, 1961	December 13, 1961
December 14, 1961	December 27, 1961

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\*The periods include both the beginning and ending date.

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Note: It will be appreciated if nonreserve city member banks will observe the foregoing schedule in preparing their reports of deposits for reserve computation purposes. As explained in Bulletin No. 4, "Reserves of Member Banks," a report of deposits should be mailed each Wednesday for the weekly period ended on that date although computation of your reserve requirements will be based on your reports covering the full two-week periods indicated in the above schedule.