

FEDERAL RESERVE BANK OF DALLAS
DALLAS, TEXAS

December 20, 1962

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 December 20, 1962, of Bulletin No. 4 of the Federal Reserve Bank of Dallas entitled "Reserves of Member Banks." This supersedes our Bulletin No. 4 dated May 4, 1961. Accompanying this revised bulletin is a new 1963 Supplement to Bulletin No. 4, "Schedule of Biweekly Reserve Computation Periods Ending in the year 1963." Please substitute the new Bulletin and Supplement for the corresponding Bulletin and Supplement 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 Please destroy the superseded Bulletin and Supplement.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 DOES NOT REQUIRE ANY CHANGES IN YOUR REPORTING PROCEDURES. The revision is mainly to give effect to changes in law, effective July 28, 1962, abolishing the central reserve city classification. Other changes intended to clarify certain of the instructions have also been made in keeping with changes heretofore made in Regulation D.

Please acknowledge receipt of the Bulletin and Supplement by signing and returning the enclosed postal card.

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, respectively, to banks not in reserve cities and those in reserve cities 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 as reserves.

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, cash items in process of collection, balances subject to immediate withdrawal due from other banks, and currency and coin, which includes currency and coin in transit to or from a Federal Reserve Bank. The Board's definitions will be found in Sections 204.1 and 204.2 (b) 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 may, at the option of the member bank, and whether or not it had a reserve deficiency in such computation period, 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 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

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, balances subject to immediate withdrawal due from other banks, 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 banks¹ (opening of business) - - - - - \$.....
(Corresponds to items 6 and 7 in Schedule E of call reports of condition)
- (b) U. S. Government demand deposits² (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)¹ (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 REQUIRED³:

- (a) On net demand deposits (item 3 above):
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)

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

²Includes balances in Treasury tax and loan account and Series E bond account.

³For current required reserve percentages, see latest supplement to Regulation D.

**SCHEDULE OF BIWEEKLY RESERVE COMPUTATION PERIODS
ENDING IN THE YEAR 1963**

<u>Period Begins with*</u>	<u>Period Ends with*</u>
December 27, 1962	January 9, 1963
January 10, 1963	January 23, 1963
January 24, 1963	February 6, 1963
February 7, 1963	February 20, 1963
February 21, 1963	March 6, 1963
March 7, 1963	March 20, 1963
March 21, 1963	April 3, 1963
April 4, 1963	April 17, 1963
April 18, 1963	May 1, 1963
May 2, 1963	May 15, 1963
May 16, 1963	May 29, 1963
May 30, 1963	June 12, 1963
June 13, 1963	June 26, 1963
June 27, 1963	July 10, 1963
July 11, 1963	July 24, 1963
July 25, 1963	August 7, 1963
August 8, 1963	August 21, 1963
August 22, 1963	September 4, 1963
September 5, 1963	September 18, 1963
September 19, 1963	October 2, 1963
October 3, 1963	October 16, 1963
October 17, 1963	October 30, 1963
October 31, 1963	November 13, 1963
November 14, 1963	November 27, 1963
November 28, 1963	December 11, 1963
December 12, 1963	December 25, 1963

*The periods include both the beginning and ending date.

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.