

FEDERAL RESERVE BANK OF DALLAS
DALLAS, TEXAS

July 14, 1966

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

To the Member Banks of the
Eleventh Federal Reserve District:

There is enclosed a revision of Bulletin No. 4 of the Federal Reserve Bank of Dallas entitled "**Reserves of Member Banks.**" This revision, which is dated July 14, 1966, supersedes the Bulletin dated December 20, 1962, and incorporates the revised Form F.R. 414 entitled "**Computation of Reserve to Be Carried with the Federal Reserve Bank by Member Banks,**" a copy of which was sent to you with my letter dated July 11, 1966.

The enclosed Bulletin should be filed in place of the superseded Bulletin No. 4 in the ring binder of bulletins and regulations furnished by this Bank.

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

Yours very truly,

Watrous H. Irons

President

Enclosures (2)

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 as amended.

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.

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 as amended.

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 9) 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. As indicated by parenthetical references, the various items in this formula correspond to certain items and schedules in the call reports of condition. 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. A form of worksheet for this purpose will be supplied upon request.

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 above 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.)

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 non-business 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 percent 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 percent 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. 7-66)

**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. Reference to call report item numbers, shown below, are to those in the forms used at the June 1966 call.)

1. GROSS DEMAND DEPOSITS:

- (a) Demand deposits of banks¹ (opening of business) - - - - - \$.....
(Corresponds to items 1, 3, and 9 in Schedule E of call report of condition)
- (b) U. S. Government demand deposits² (opening of business) - - - - - _____
(Corresponds to item 5 in Schedule E of call report of condition)
- (c) Other demand deposits (opening of business) - - - - - - - - - \$.....
(Corresponds to items 2, 3, 6, 7, and 10 in Schedule E of call report 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 report 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.¹ (opening of business) - - - - - _____
(Corresponds to item 2 in Schedule D of call report of condition)

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

4. TOTAL TIME DEPOSITS (opening of business) - - - - - _____

- (a) Savings deposits (opening of business) - - - - - _____
(Corresponds to item 1 in Schedule F of call report of condition)
- (b) Other time deposits (opening of business) - - - - - _____
(Corresponds to items 3, 4, 5, 7, 8, 9, 10, and 11 of Schedule F of call report of condition)

5. RESERVE REQUIRED³:

- (a) On net demand deposits (item 3 above):
Banks in reserve cities,percent - - - - - _____
Banks located elsewhere, percent - - - - - _____
- (b) On savings deposits and on other time deposits up to \$5 million (item 4 above)percent - - - - - _____
- (c) On other time deposits in excess of \$5 million (item 4b above)percent - - - - - _____
- (d) Total required reserves to be maintained - - - - - _____

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

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

¹Reciprocal interbank demand deposits with banks in the United States, except American branches of foreign banks, must be reported net.
²Includes deposits in Treasury tax and loan account and Series E bond account.
³For current required reserve percentages, see latest supplement to Regulation D.