FEDERAL RESERVE BANK
OF NEW YORK

ACCOUNTING DEPARTMENT

December 4, 1919.

RESERVES

TO ALL MEMBER BANKS IN THE SECOND FEDERAL RESERVE DISTRICT,

DEAR SIRS:

IMPORTANT

In view of an apparent misunderstanding on the part of some of the member banks, the attention of all is again called to the new method of averaging reserve balances described in our Circular No. 207 dated September 13, 1919.

The ruling of the Federal Reserve Board provides that beginning October 1, 1919, the reserves shall be computed as follows:

> For banks in reserve and central reserve cities (Boroughs of Manhattan, Brooklyn and Bronx in New York City and in the Cities of Albany and Buffalo) on the basis of average daily net deposit balances covering a **weekly** period.
>
> For banks in all other places on the basis of average daily net deposit balances covering a **semi-monthly** period.

In accordance with this ruling member banks are now reporting to us their required reserve weekly or semi-monthly, and we, in turn, are obliged, in comparing these figures with the reserves maintained on our books, to consider the reserve balances for each period separately without regard for the reserve maintained in any other period, and in case of deficiencies in any period to assess the prescribed penalty for that period alone.

These weekly or semi-monthly periods **supersede the monthly period** for which reserves were averaged prior to October 1, 1919, and under the ruling of the Federal Reserve Board an excess reserve in one part of the month may not be used to offset a deficiency of another part of the month, but each period must be considered separately.

The special attention of all member banks is again called to this important change in the periods for which the average reserves are computed in order that it may be fully understood and observed.

Yours very truly,

BENJ. STRONG,

Governor.

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