

FEDERAL RESERVE BANK  
OF NEW YORK

[Circular No. 848, May 25, 1928]  
[Reference to Circular No. 828.]

Method of Determining Net Demand Deposits Subject to Reserve

*To each Member Bank in the  
Second Federal Reserve District:*

The Federal Reserve Board has recently ruled upon the question as to whether deposits in member banks by mutual savings banks, Morris Plan banks, credit unions, building and loan associations and cooperative banks may be considered as deposits "due to banks" within the meaning of Section 19 of the Federal Reserve Act, from the total of which amounts "due from banks" may be deducted. The substance of the ruling is that deposits made by the following may be classified as "due to banks",

Mutual Savings Banks  
Morris Plan Banks  
Credit Unions

while deposits of building and loan associations and cooperative banks of the type found in Massachusetts may not be so classified.

With respect to cooperative banks, the following which is quoted from the ruling is of interest:

"Cooperative banks of the type found in Massachusetts are similar in purpose and functions to building and loan associations and are to be classified in the same way. Cooperative banks of the Massachusetts type are to be distinguished from those so-called cooperative banks organized either under national or State law having general banking powers; the latter are undoubtedly banks within the meaning of Section 19."

Very truly yours,

GATES W. MCGARRAH,  
*Federal Reserve Agent.*