

FEDERAL RESERVE BANK  
OF NEW YORK

[ Circular No. 1732, January 30, 1937  
Reference to Circulars Nos. 1684 and 1686 ]

**SUPPLEMENT TO REGULATION D**

**Reserves Required to Be Maintained by Member Banks  
With Federal Reserve Banks**

**Increases Effective March 1 and May 1, 1937**

To each Member Bank in the  
Second Federal Reserve District:

Enclosed is a printed copy of a supplement to Regulation D adopted by the Board of Governors of the Federal Reserve System on January 30, 1937, increasing the reserves required to be maintained by member banks with Federal Reserve banks, effective at the opening of business on March 1, 1937 and on May 1, 1937.

At the request of the Board of Governors we transmit to you herewith, printed on the following pages, a copy of the Board's statement released for publication on January 31, 1937, with respect to the action taken by the Board on January 30, 1937, increasing the reserve requirements for member banks as set forth in the enclosed supplement to Regulation D.

A new supply of forms for use in reporting your net demand and time deposits and reserves required to be maintained against such deposits will be sent to you prior to March 1, 1937.

GEORGE L. HARRISON,  
*President.*

**Statement by the Board of Governors of the Federal Reserve System  
Relating to Reserves Required to be Maintained by Member Banks  
With Federal Reserve Banks**

January 30, 1937.

The Board of Governors of the Federal Reserve System today increased reserve requirements for member banks by 33½ percent, as follows: on demand deposits, at banks in central reserve cities, from 19½ to 26 percent; at banks in reserve cities, from 15 to 20 percent; and at "country" banks, from 10½ to 14 percent; on time deposits, at all banks, from 4½ to 6 percent. For the purpose of affording member banks ample time for orderly adjustment to the changed requirements, one half of the increase will become effective as of the opening of business on March 1, 1937, and the remaining half will become effective as of the opening of business on May 1.

The following table shows what the reserve requirements are at present, what they will be from March 1 through April 30, and what they will be commencing May 1:

**RESERVE REQUIREMENTS**  
(Percent of Deposits)

Class of bank	Demand deposits			Time deposits		
	Present requirements	March 1 through April 30	May 1 and after	Present requirements	March 1 through April 30	May 1 and after
Central Reserve City...	19½	22¾	26	4½	5¼	6
Reserve City .....	15	17½	20	4½	5¼	6
"Country" .....	10½	12¼	14	4½	5¼	6

This action completes the use of the Board's power under the law to raise reserve requirements to not more than twice the amount prescribed for member banks in section 19 of the Federal Reserve Act.

The section of the law which authorizes the Board to change reserve requirements for member banks states that when this power is used it shall be "in order to prevent injurious credit expansion or contraction." The significance of this language is that it places responsibility on the Board to use its power to change reserve requirements not only to counteract an injurious credit expansion or contraction after it has developed, but also to anticipate and prevent such an expansion or contraction.

By its present action the Board eliminates as a basis of possible credit expansion an estimated \$1,500,000,000 of excess reserves which are superfluous for the present or prospective needs of commerce, industry, and agriculture and which, in the Board's judgment, would result in an injurious credit expansion if permitted to become the basis of a multiple expansion of bank credit. The Board estimates that, after the full increase has gone into effect, member banks will have excess reserves of approximately \$500,000,000, an amount ample to finance further recovery and to maintain easy money conditions. At the same time the Federal Reserve System will be placed in a position where such reduction or expansion of member bank reserves as may be deemed in the public interest may be effected through open-market operations, a more flexible instrument, better adapted for keeping the reserve position of member banks currently in close adjustment to credit needs.

As the Board stated on July 15, 1936, in its announcement of the previous increase of reserve requirements, excess reserves then held by member banks had resulted almost entirely from the inflow of gold from abroad rather than from the System's credit policy. Since that time the country's gold stock has been further increased by a large inflow of gold, amounting to \$600,000,000. Between the time of the banking holiday in 1933 and December 24, 1936, when the United States Treasury put into effect its program for preventing acquisitions of gold from adding to the country's banking reserves, the gold inflow aggregated approximately \$4,000,000,000. This inflow of gold had the effect

of adding an equal amount to the reserves of member banks as well as to their deposits. The total amount of deposits in banks and the Postal Savings System, plus currency outside of banks, is now \$2,000,000,000 larger than in the summer of 1929.

The present volume of deposits, if utilized at a rate of turnover comparable to pre-depression levels, is sufficient to sustain a vastly greater rate of business activity than exists today. In order to sustain and expand recovery, the country's commerce, industry, and agriculture, therefore, require a more complete and productive utilization of existing deposits rather than further additions to the amount now available.

The excess reserves of about \$1,500,000,000 eliminated as a base of further credit expansion by this action could support an increase in the supply of money, in the form of bank credit, which beyond any doubt would constitute an injurious credit expansion.

The present is an opportune time for action because, as was the case when the Board announced its prior action last July, excess reserves are widely distributed among member banks, and balances with correspondent banks are twice as large as they have generally been in the past. All but a small number of member banks have more than sufficient excess reserves and surplus balances with other banks to meet a  $33\frac{1}{3}$  percent increase in reserve requirements. As of January 13, the Board's survey indicates that only 197 of the 6,367 member banks lacked sufficient funds to meet such an increase in reserve requirements by utilizing their present excess balances with the reserve banks and not more than one half of their balances with correspondent banks. On this basis these 197 banks in order to meet the full requirements, would have needed an additional \$123,000,000, of which \$110,000,000 would have been needed by banks in central reserve cities, \$11,000,000 by banks in other reserve cities and only \$2,300,000 by country banks.

Another reason for action at this time is that, as stated by the Board last July, "it is far better to sterilize a part of these superfluous reserves while they are still unused than to permit a credit structure to be erected upon them and then to withdraw the foundation of the structure."

The available methods of absorbing excess reserves have been under consideration. It has been decided that under present circumstances changes in reserve requirements should precede reduction in reserves through open-market operations, because changes in requirements affect all banks, regardless of their reserve position, and consequently should be made while reserves are widely distributed.

This action increases reserve requirements to the full extent authorized by law. It is not the present intention of the Board to request from Congress additional authority to absorb excess reserves by means of raising reserve requirements.

It is the Board's expectation that, with approximately \$500,000,000 of excess reserves remaining with the banks, credit conditions will continue to be easy. At the same time the Reserve System will be in a position to take promptly such action as may be desirable to ease or tighten credit conditions through open-market and rate policy.

In announcing the previous increase in reserve requirements, the Board said:

"The prevailing level of long-time interest rates, which has been an important factor in the revival of the capital market, has been due principally to the large accumulations of idle funds in the hands of individual and institutional investors. The supply of investment funds is in excess of the demand. The increase in reserve requirements of member banks will not diminish the volume of deposits held by these banks for their customers and will, therefore, not diminish the volume of funds available for investment. The maintenance of an adequate supply of funds at favorable rates for capital purposes, including mortgages, is an important factor in bringing about and sustaining a lasting recovery."

The same considerations apply with equal force at the present time. The Board's action does not reduce the large volume of existing funds available for investment by depositors, and should not, therefore, occasion an advance in long-term interest rates or a restrictive policy on the part of institutional and other investors in meeting the needs for sound business, industrial and agricultural credit.

In view of all these considerations, the Board believes that the action taken at this time will operate to prevent an injurious credit expansion and at the same time give assurance for continued progress toward full recovery.

**BOARD OF GOVERNORS  
OF THE FEDERAL RESERVE SYSTEM**

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**SUPPLEMENT TO REGULATION D**

▼

*Reserves required to be maintained by member banks  
with Federal Reserve banks*

Pursuant to the provisions of section 19 of the Federal Reserve Act and section 2(a) of its Regulation D, the Board of Governors of the Federal Reserve System increases by  $33\frac{1}{3}$  per cent the reserve requirements established by the Supplement to Regulation D made effective at the close of business on August 15, 1936: *Provided, however,* That  $\frac{1}{2}$  of such increase shall be effective as to each member bank at the opening of business on March 1, 1937, and the remaining  $\frac{1}{2}$  of such increase shall be effective as to each member bank at the opening of business on May 1, 1937.\*

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\* Effective at the opening of business on March 1, 1937, the requirements as to reserves to be maintained by each member bank will be 75 per cent above the requirements prescribed by section 19 of the Federal Reserve Act and, effective at the opening of business on May 1, 1937, the requirements as to reserves to be maintained by each member bank will be 100 per cent above the requirements prescribed by section 19 of the Federal Reserve Act.

REPORT OF NET DEMAND AND TIME DEPOSITS

FOR WEEK ENDING FRIDAY \_\_\_\_\_ 193

TO ACCOUNTING DEPARTMENT  
FEDERAL RESERVE BANK OF NEW YORK

The amounts of net demand deposits and time deposits reported for each business day are to be based on the deposit balances shown by the books of the member bank at the opening of business the same day. The amounts reported for a Sunday or a holiday are to be based on the deposit balances at the close of the preceding business day. The amounts so reported for a Sunday or a holiday should be repeated for the following business day.

FIRST PERIOD

DATE	DAY	(1) GROSS DEMAND DEPOSITS			(2) BALANCES SUBJECT TO IMMEDIATE WITHDRAWAL DUE FROM OTHER BANKS			(3) CASH ITEMS IN PROCESS OF COLLECTION			NET DEMAND DEPOSITS COLUMN (1) MINUS COLUMNS (2 AND 3)			TIME DEPOSITS		
		MILLIONS	THOUSANDS	HUNDREDS	MILLIONS	THOUSANDS	HUNDREDS	MILLIONS	THOUSANDS	HUNDREDS	MILLIONS	THOUSANDS	HUNDREDS	MILLIONS	THOUSANDS	HUNDREDS
	SAT.															
	SUN.															
	MON.															
	TUES.															
	TOTAL															
(If gross demand deposits are less than the deductions, net demand deposits on that date should be shown as zero.)										AVERAGE						

RESERVE REQUIRED

17½% OR 22¼% OF \$ \_\_\_\_\_ (AVERAGE NET DEMAND DEPOSITS) \$ \_\_\_\_\_

5¼% OF \$ \_\_\_\_\_ (AVERAGE TIME DEPOSITS) \$ \_\_\_\_\_

TOTAL { AVERAGE RESERVE REQUIRED TO BE ON DEPOSIT WITH THE FEDERAL RESERVE BANK OF NEW YORK \$ \_\_\_\_\_

SECOND PERIOD

DATE	DAY	(1) GROSS DEMAND DEPOSITS			(2) BALANCES SUBJECT TO IMMEDIATE WITHDRAWAL DUE FROM OTHER BANKS			(3) CASH ITEMS IN PROCESS OF COLLECTION			NET DEMAND DEPOSITS COLUMN (1) MINUS COLUMNS (2 AND 3)			TIME DEPOSITS		
		MILLIONS	THOUSANDS	HUNDREDS	MILLIONS	THOUSANDS	HUNDREDS	MILLIONS	THOUSANDS	HUNDREDS	MILLIONS	THOUSANDS	HUNDREDS	MILLIONS	THOUSANDS	HUNDREDS
	WED.															
	THURS.															
	FRI.															
	TOTAL															
(If gross demand deposits are less than the deductions, net demand deposits on that date should be shown as zero.)										AVERAGE						

RESERVE REQUIRED

17½% OR 22¼% OF \$ \_\_\_\_\_ (AVERAGE NET DEMAND DEPOSITS) \$ \_\_\_\_\_

5¼% OF \$ \_\_\_\_\_ (AVERAGE TIME DEPOSITS) \$ \_\_\_\_\_

TOTAL { AVERAGE RESERVE REQUIRED TO BE ON DEPOSIT WITH THE FEDERAL RESERVE BANK OF NEW YORK \$ \_\_\_\_\_

I HEREBY CERTIFY THAT THE ABOVE STATEMENT IS CORRECT AND IN ACCORDANCE WITH THE BOOKS OF THIS BANK AND THAT THE FIGURES SHOWN ABOVE UNDER NET DEMAND DEPOSITS AND TIME DEPOSITS RESPECTIVELY HAVE BEEN COMPUTED IN ACCORDANCE WITH THE FORM PRESCRIBED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM FOR THAT PURPOSE.

THIS REPORT  
TO BE FILED  
NOT LATER THAN  
MONDAY OF THE  
FOLLOWING WEEK

OFFICIAL SIGNATURE

TITLE

NAME OF BANK

CITY OR TOWN

STATE

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 and time deposits, see Regulation D of the Board of Governors of the Federal Reserve System)

1. GROSS DEMAND DEPOSITS, including U. S. Government deposits and demand balances of other banks \$

(See Schedule J of the quarterly condition report for items constituting demand deposits) (See copy of Schedule J on other side)

2. DEDUCTIONS ALLOWED IN COMPUTING RESERVES:

(a) Balances subject to immediate withdrawal due from other banks\* (except balances due from Federal Reserve banks, from foreign banks or branches thereof, from foreign branches of domestic banks, or from private banks) \$

(Corresponds to item 1 in Schedule I of the quarterly condition report) (See copy of Schedule I on other side)

(b) Cash items in process of collection, except to the extent included in item 2-a (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) \$

(Corresponds to item 2 in Schedule I of the quarterly condition report) (See copy of Schedule I on other side)

3. NET DEMAND DEPOSITS (item 1 minus item 2) \$

4. TIME DEPOSITS \$

(See Schedule K of the quarterly condition report for items constituting time deposits) (See copy of Schedule K on other side)

5. RESERVE REQUIRED:

(a) On net demand deposits (item 3 above): Banks in central reserve cities, 22 3/4 percent; Banks in reserve cities, 17 1/2 percent; Banks located elsewhere, 12 1/4 percent \$

(b) On time deposits (item 4 above): 5 1/4 percent \$

(c) Total reserve to be maintained with Federal Reserve bank \$

\*Including cash items forwarded to a correspondent bank for collection and credit and charged to item "Due from banks."

This form should not be forwarded to the Federal Reserve bank, but is to be used by the member bank as a guide for figuring its required reserve.

**SCHEDULE I—CASH, BALANCES WITH OTHER BANKS, EXCHANGES FOR CLEARING HOUSE, ETC.**

DOLLARS

1. Demand balances with other banks in the United States (except private banks and American branches of foreign banks):				
(a) Due from banks in New York City				
(b) Due from banks elsewhere in the United States				
2. Cash items in process of collection, including exchanges for clearing house, except to the extent included in Item 1				
SUBTOTAL of Items 1 and 2 (amount deductible from demand deposits in determining amount subject to reserve)	\$			(Amount not to be extended)
3. Time balances with other banks in the United States (except private banks and American branches of foreign banks)				
4. Balances with private banks and American branches of foreign banks				
5. Balances with banks in foreign countries (including balances with foreign branches of other American banks but excluding amounts due from own foreign branches)				
6. Cash in vault				
TOTAL of Items 1 to 6 (must agree with Item 9 of "Assets")				

**SCHEDULE J—DEMAND DEPOSITS (all deposits other than "time deposits" as defined in Regulation D of the Board of Governors of the Federal Reserve System)**

1. Deposits of individuals, partnerships, and corporations (must agree with Item 14 of "Liabilities")				
2. United States Government deposits				
3. State, county, and municipal deposits				
4. Deposits of other banks in the United States (except private banks and American branches of foreign banks)				
5. Deposits of private banks and American branches of foreign banks				
6. Deposits of banks in foreign countries (including balances of foreign branches of other American banks but excluding amounts due to own foreign branches)				
7. Certified and officers' checks, letters of credit and travelers' checks sold for cash, and amounts due to Federal Reserve Bank (transit account)				
TOTAL DEMAND DEPOSITS (Items 1 to 7 of this schedule)				

**SCHEDULE K—TIME DEPOSITS (as defined in Regulation D of the Board of Governors of the Federal Reserve System)**

1. Deposits (except savings deposits), of individuals, partnerships, and corporations:				
(a) Certificates of deposit (other than for money borrowed)				
(b) Open accounts				
(c) Christmas savings and similar accounts				
2. Deposits evidenced by savings pass books	No. of accounts			
SUBTOTAL of Items 1 and 2 (must agree with Item 15 of "Liabilities")	\$			(Amount not to be extended)
3. Postal Savings deposits				
4. State, county, and municipal deposits				
5. Deposits of other banks in the United States (except private banks and American branches of foreign banks)				
6. Deposits of private banks and American branches of foreign banks				
7. Deposits of banks in foreign countries (including balances of foreign branches of other American banks but excluding amounts due to own foreign branches)				
TOTAL TIME DEPOSITS (Items 1 to 7 of this schedule)				

REPORT OF NET DEMAND AND TIME DEPOSITS

FOR HALF MONTH ENDING \_\_\_\_\_ 193

TO ACCOUNTING DEPARTMENT  
FEDERAL RESERVE BANK OF NEW YORK

The amounts of net demand deposits and time deposits reported for each business day are to be based on the deposit balances shown by the books of the member bank at the opening of business the same day. The amounts reported for a Sunday or a holiday are to be based on the deposit balances at the close of the preceding business day. The amounts so reported for a Sunday or a holiday should be repeated for the following business day.

DATE	(1) GROSS DEMAND DEPOSITS			(2) BALANCES SUBJECT TO IMMEDIATE WITHDRAWAL DUE FROM OTHER BANKS			(3) CASH ITEMS IN PROCESS OF COLLECTION			NET DEMAND DEPOSITS COLUMN (1) MINUS COLUMNS (2 AND 3)			TIME DEPOSITS		
	MILLIONS	THOUSANDS	HUNDREDS	MILLIONS	THOUSANDS	HUNDREDS	MILLIONS	THOUSANDS	HUNDREDS	MILLIONS	THOUSANDS	HUNDREDS	MILLIONS	THOUSANDS	HUNDREDS
16															
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28															
29															
30															
31															
TOTAL															

(If gross demand deposits are less than the deductions, net demand deposits on that date should be shown as zero.)

AVERAGE

RESERVE REQUIRED

12 1/4% OF \$ \_\_\_\_\_ (AVERAGE NET DEMAND DEPOSITS) \$ \_\_\_\_\_

5 1/4% OF \$ \_\_\_\_\_ (AVERAGE TIME DEPOSITS) \$ \_\_\_\_\_

TOTAL { AVERAGE RESERVE REQUIRED TO BE ON DEPOSIT WITH THE FEDERAL RESERVE BANK OF NEW YORK } \$ \_\_\_\_\_

I HEREBY CERTIFY THAT THE ABOVE STATEMENT IS CORRECT AND IN ACCORDANCE WITH THE BOOKS OF THIS BANK AND THAT THE FIGURES SHOWN ABOVE UNDER NET DEMAND DEPOSITS AND TIME DEPOSITS RESPECTIVELY HAVE BEEN COMPUTED IN ACCORDANCE WITH THE FORM PRESCRIBED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM FOR THAT PURPOSE.

THIS REPORT TO BE FILED BEFORE THE 5TH AND 20TH OF EACH MONTH

\_\_\_\_\_  
OFFICIAL SIGNATURE TITLE

\_\_\_\_\_  
NAME OF BANK

\_\_\_\_\_  
CITY OR TOWN STATE



**FEDERAL RESERVE BANK  
OF NEW YORK**

February 2, 1937

To Member and Nonmember Clearing Banks  
in the Second Federal Reserve District:

Supplementing our circular letter to you dated January 25, 1937 concerning the handling of certain cash items due to flood conditions, we have been advised by the Federal Reserve Bank of St. Louis as follows:

"Effective February 1, 1937, this office will, until further notice, take over all of the functions of its Louisville Branch. In making deposits of checks, they should be segregated in the same manner as they are now prepared for the Louisville Branch, except City of Louisville items may be included in the Kentucky item letter. This will greatly facilitate the handling of the items by us."

Accordingly, until further notice, direct sending banks should not send items direct to the Louisville Branch, but may send items payable in the territory heretofore assigned to that branch direct to the Federal Reserve Bank of St. Louis.

Hereafter, until normal conditions are restored, credit for cash items which are payable in the territory heretofore assigned to the Louisville Branch of the Federal Reserve Bank of St. Louis and which are included in cash letters sent by member and nonmember clearing banks in the Second Federal Reserve District direct to the Federal Reserve Bank of St. Louis, will be deferred until we receive advice and credit from the Federal Reserve Bank of St. Louis.

We are continuing to give credit in accordance with our time schedules for cash items payable in the territory heretofore assigned to the Louisville Branch of the Federal Reserve Bank of St. Louis and included in cash letters sent to the Federal Reserve Bank of St. Louis from the Head Office or the Buffalo Branch of the Federal Reserve Bank of New York, but advice and return of unpaid items payable in the area affected by flood conditions may continue to be considerably delayed. We, of course, reserve the right to charge back any unpaid items at any time.

George L. Harrison,  
President.