

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. **2282**]
[September 24, 1941]

SUPPLEMENT TO REGULATION D
Reserves Required to Be Maintained by Member Banks
With Federal Reserve Banks

Increases Effective November 1, 1941

*To all Banks in the
Second Federal Reserve District:*

Enclosed is a printed copy of a supplement to Regulation D, "Reserves of Member Banks", adopted by the Board of Governors of the Federal Reserve System on September 23, 1941, to supersede the existing supplement to Regulation D and to become effective at the opening of business on November 1, 1941.

At the request of the Board of Governors we transmit to you herewith, printed on the following page, a copy of the Board's statement released for publication on September 24, 1941, with respect to the action taken by the Board on September 23, 1941, increasing the reserve requirements for member banks as set forth in the enclosed supplement to Regulation D, and a copy of a statement of the Secretary of the Treasury and the Chairman of the Board, in which the Board of Governors concurs, in connection with the action taken by the Board.

A new supply of forms for use of member banks in reporting their net demand and time deposits and reserves required to be maintained against such deposits will be sent to them prior to November 1, 1941.

ALLAN SPROUL,
President.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

FOR RELEASE IN MORNING NEWSPAPERS OF

Wednesday, September 24, 1941.

September 23, 1941.

As a further step in the Government's program for combating inflation, the Board of Governors of the Federal Reserve System, after consultation with the Secretary of the Treasury, has today increased reserve requirements for member banks to the present statutory limit, effective November 1. This action, unanimously agreed upon, increases reserve requirements by about one-seventh.

The requirements beginning on that date will be: for demand deposits, 26 per cent at central reserve city banks, 20 per cent at reserve city banks, and 14 per cent at country banks; for time deposits, 6 per cent at all classes of member banks. This action will result in a reduction of excess reserves from about \$5.2 billion to about \$4 billion for member banks taken as a whole. At central reserve city banks excess reserves will be reduced approximately from \$2,400,000,000 to \$1,700,000,000; at reserve city banks from \$1,850,000,000 to \$1,500,000,000, and at country banks from nearly \$1,000,000,000, to \$800,000,000.

The action will leave the banks as a whole with ample funds to meet all bank credit needs of the defense program and all legitimate requirements of their customers. A survey made recently by the Board showed that a large majority of the member banks will be able to meet the increased requirements out of existing excess reserves and all but a few of the remainder by drawing upon a portion of their deposits with city correspondents.

The Board determined that penalties for deficient reserves prior to December 1, 1941 shall be based upon reserve requirements in effect October 31, 1941.

The following table compares the new requirements with present requirements which have been in effect since April 16, 1938.

MEMBER BANK RESERVE REQUIREMENTS
(Per cent of deposits)

Classes of deposits and banks	Present Requirements	New Requirements
On net demand deposits:		
Central reserve city banks.....	22 $\frac{3}{4}$	26
Reserve city banks.....	17 $\frac{1}{2}$	20
"Country" banks	12	14
On time deposits:		
All member banks.....	5	6

STATEMENT FOR THE PRESS

FOR RELEASE IN MORNING NEWSPAPERS OF

Wednesday, September 24, 1941.

September 23, 1941.

In connection with the action taken today by the Board of Governors of the Federal Reserve System to increase reserve requirements, the Secretary of the Treasury and the Chairman of the Board issued the following statement in which the Board of Governors concurs:

"The Treasury and the Board of Governors will continue to watch the economic situation and to cooperate with other agencies of the Government in their efforts, through priorities, allocations, price regulation, and otherwise, to fight inflation. Recommendations on the question of what additional powers, if any, over bank reserves the Board should have during the present emergency and what form these powers should take will be made whenever the Treasury and the Board, after further consultation, determine that such action is necessary to help in combating inflationary developments."

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

SUPPLEMENT TO REGULATION D



Effective as to each member bank at the opening of business on
November 1, 1941*

*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 hereby prescribes the following reserve balances which each member bank of the Federal Reserve System is required to maintain on deposit with the Federal Reserve bank of its district:

6 per cent of its time deposits plus—

14 per cent of its net demand deposits if not in a reserve or central reserve city;

20 per cent of its net demand deposits if in a reserve city, except that if located in an outlying district of a reserve city or in territory added to such city by the extension of the city's corporate limits such bank may, upon the affirmative vote of five members of the Board of Governors of the Federal Reserve System, be permitted to maintain 14 per cent reserves against its net demand deposits;

26 per cent of its net demand deposits if located in a central reserve city, except that if located in an outlying district of a central reserve city or in territory added to such city by the extension of the city's corporate limits, such bank may, upon the affirmative vote of five members of the Board of Governors of the Federal Reserve System, be permitted to maintain 14 per cent or 20 per cent reserves against its net demand deposits.

The supplements to Regulation D which have previously been issued are hereby revoked and superseded.

* The penalties prescribed by section 3(b) of Regulation D on deficiencies occurring prior to December 1, 1941, shall be assessed on the basis of the reserve requirements in effect immediately prior to the adoption of this supplement.