

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. 2385]
February 27, 1942]

REGULATION D, RESERVES OF MEMBER BANKS

**Amendment Effective with Reserve Computation Period
Beginning February 28, 1942**

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

The following statement was released for publication on February 21, 1942:

Under Regulation D of the Board of Governors of the Federal Reserve System, deficiencies in reserve balances of member banks in cities where Federal Reserve Banks or branches thereof are located and in a few other reserve cities are at present computed on the basis of average daily net deposit balances covering semiweekly periods. Such computations by member banks in other reserve cities are made on a weekly basis.

The Board has amended Regulation D, effective with the reserve computation period beginning February 28, 1942, so as to provide that member banks in all central reserve and reserve cities shall make such computations on a weekly basis. This change places banks in all these cities, including those in which Federal Reserve Banks or branches are located, on the same basis in this respect and has been made for the convenience of member banks in these cities in adjusting their reserve positions.

Country banks, i.e., those located outside of central reserve or reserve cities, will continue as heretofore to compute deficiencies in reserve balances on a semimonthly basis.

There is set forth below the text of a resolution which has been adopted by the Board of Governors of the Federal Reserve System amending its Regulation D:

“RESOLVED, That Regulation D, Reserves of Member Banks, is hereby amended in the following respects, effective with the reserve computation period beginning February 28, 1942:

“1. Subsection (a) of section 3 of Regulation D is amended to read as follows:

““(a) Computation of deficiencies.

““(1) Deficiencies in reserve balances of member banks in central reserve cities and in reserve cities shall be computed on the basis of average daily net deposit balances covering weekly periods. Deficiencies in reserve balances of other member banks shall be computed on the basis of average daily net deposit balances covering semimonthly periods.⁸

““(2) In computing such deficiencies the required reserve balance of each member bank at the close of business each day shall be based upon its net deposit balances at the opening of business on the same day; and the weekly and semimonthly periods referred to in paragraph (1) hereof shall end at the close of business on days to be fixed by the Federal Reserve banks with the approval of the Board of Governors of the Federal Reserve System.’

⁸ Deficiencies in reserve balances of member banks in outlying sections of central reserve and reserve cities which have been authorized by the Board of Governors of the Federal Reserve System, under the provisions of subsection (a) of section 2 of this regulation, to maintain seven per cent reserves against demand deposits, will also be computed on the basis of average daily net deposit balances covering semi-monthly periods.

(OVER)

“2. Section 4 of Regulation D is amended to read as follows:

“SECTION 4. LOANS AND DIVIDENDS WHILE RESERVES ARE DEFICIENT

“It is unlawful for any member bank the reserves of which are deficient to make any new loans or pay any dividends unless and until the total reserves required by law are fully restored, and the payment of penalties for deficiencies in reserves does not exempt member banks from this prohibition of law. As provided in section 3 of this regulation, penalties for deficiencies in reserves are computed on the basis of the average reserve balances for weekly or semimonthly periods; but this prohibition of law applies whenever the reserves are deficient for one day or more, regardless of whether or not the average reserve balances for the weekly or semimonthly period are deficient.’”

Deficiencies in reserve balances of member banks in the Boroughs of Manhattan, Brooklyn and The Bronx in New York City and in Buffalo, N. Y., are at present computed on a semi-weekly basis. In accordance with the above amendment to Regulation D, deficiencies in reserve balances of such member banks shall be computed on the basis of average daily net deposit balances covering *weekly* periods. Report Form R.B. 20 for reporting required reserves on a weekly basis for each week beginning on Saturday and ending on Friday will, accordingly, be sent promptly to such member banks.

Deficiencies in reserve balances of other member banks shall be computed on the basis of average daily net deposit balances covering semimonthly periods and member banks in the Second Federal Reserve District, other than member banks in the Boroughs of Manhattan, Brooklyn and The Bronx in New York City and in Buffalo, N. Y., will continue to report their required reserves as heretofore on Form R.B. 13 as of the fifteenth and last day of each month.

It will be noted that the above amendment to Regulation D will become effective with the reserve computation period beginning February 28, 1942.

ALLAN SPROUL,
President.

REPORT OF NET DEMAND AND TIME DEPOSITS

FOR WEEK ENDING FRIDAY _____ 194

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.

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.															
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

20% OR 26% OF \$ _____ (AVERAGE NET DEMAND DEPOSITS) \$ _____

6% 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