

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. 3224]
[Effective July 1, 1947]

RESERVES OF MEMBER BANKS

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

This circular contains general information regarding the reserve requirements of member banks with particular reference to the method of computing required reserves, and the making of reports to us in this connection. Member banks in the territory assigned to the Buffalo Branch should file reports directly with the Branch as in the past.

Statutory requirements

1. Section 19 of the Federal Reserve Act (hereinafter referred to as the "Act") requires every member bank to maintain reserve balances with its Federal Reserve bank equal to stated percentages of its demand and time deposits; and authorizes the Board of Governors of the Federal Reserve System, by regulation, to define certain terms used in the Act, to change the requirements as to reserves within certain stated limits, and to prescribe penalties for deficient reserves.

Regulation D

2. Pursuant to section 19 of the Act, the Board of Governors has issued its Regulation D, to which reference is made for complete details respecting reserve requirements, and for the penalties prescribed for deficiencies in reserves. A Supplement to Regulation D sets forth the reserve requirements applicable at any given time. In the event of any change in reserve requirements, we will promptly notify our member banks of the change.

Establishment and maintenance of reserve balances

3. Reserve balances may be established and maintained by credits for deposits of currency and coin, of checks and other cash items, and of noncash items, and for advances and discounts, transfers of funds, dividends paid on our capital stock, and other payments made to and received and accepted by us for the account of a member bank. In this connection our circulars in relation to the different types of transactions should be consulted. Subject to the imposition of penalties for deficiencies in reserves, member banks are authorized by section 19 of the Act to check against and withdraw reserve balances for the purpose of meeting existing liabilities.

Reports by member banks of deposits and required reserves

4. In order that we may know whether the reserves required of member banks are being maintained, each member bank in the Second Federal Reserve District is required to file with us, on forms furnished by us, periodical reports of its net demand and time deposits and reserve required during the period covered by each report.

Weekly reports by central reserve and reserve city banks

5. Each member bank located in the Borough of Manhattan, the Borough of Brooklyn, or the Borough of the Bronx, in the City of New York, or in the City of Buffalo, is required to make a report for each weekly period ending on a Thursday. The report should be prepared on our Form R.B. 20 in accordance with the instructions on the Form and should be dispatched so as to reach us not later than the Monday following the end of the period covered by the report.

Semimonthly reports by country banks

6. Each member bank not required to file weekly reports as provided in paragraph 5 is required to make a report for each of the half-month periods ending on the 15th day and the last day of each month. The report should be prepared on our Form R.B. 13 in accordance with the instructions on the Form and should be dispatched so as to reach us not later than the 5th day following the end of the period covered by the report.

Treatment of paid United States Savings Bonds

7. In preparing Form R.B. 20 or Form R.B. 13, a member bank which is qualified to make payments in connection with the redemption of United States Savings Bonds should treat paid bonds as follows:

(a) If the bank follows a practice of forwarding paid bonds to us on the day it makes payment or on the following business day, it should treat such bonds as cash items in the process of collection during the period prior to receipt of settlement from us, and should include the amount of such bonds in Item 2(a) on Form R.B. 20 or R.B. 13;

(b) If the bank follows a practice of holding paid bonds for a longer period before forwarding them to us, it should treat such bonds as cash items not in the process of collection until the day they are forwarded to us, and should then treat them as cash items in process of collection until receipt of settlement from us. Cash items not in process of collection should not be reported on Form R.B. 20 or R.B. 13.

Daily computation of reserves

8. Form F.R. 414, which is reproduced on the following page, is furnished to member banks to assist them in preparing the information as to deposits and reserves required to be reported to us on Form R.B. 20 or R.B. 13. We believe that member banks will find it helpful to maintain on Form F.R. 414 a daily record of this required information and to transfer the information to Form R.B. 20 or R.B. 13, as the case may be. Form F.R. 414 need not be filed with us.

Effect of this circular on previous circular

9. This circular supersedes our Circular No. 3099 dated June 17, 1946, entitled "Reserves of Member Banks."

Additional copies of this circular and copies of Forms R.B. 13, R.B. 20 and F.R. 414 will be furnished upon request.

ALLAN SPROUL,
President.

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:

(a) Demand deposits of banks¹\$.....
(Corresponds to items 4 and 5 in Schedule E of June and December condition reports)

(b) Other demand deposits
(Corresponds to items 1, 2, 3 and 6 in Schedule E of June and December condition reports)

2. DEDUCTIONS ALLOWED IN COMPUTING RESERVES:

(a) Cash items in process of collection, except to the extent included in item 2-b (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 1 in Schedule D of June and December condition reports)

(b) Balances subject to immediate withdrawal due from other banks (including cash items forwarded to a correspondent bank for collection and credit and charged to "Due from banks", but excluding balances due from Federal Reserve Banks, from foreign banks or branches thereof, from foreign branches of domestic banks, or from private banks)¹
(Corresponds to item 2 in Schedule D of June and December condition reports)

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

4. TIME DEPOSITS
(See Schedule F of June and December condition reports for items constituting time deposits) _____

5. RESERVE REQUIRED²:

(a) On net demand deposits (item 3 above):
Banks in central reserve cities, per cent;
Banks in reserve cities, per cent;
Banks located elsewhere, per cent

(b) On time deposits (item 4 above): per cent.

(c) Total reserve to be maintained with Federal Reserve Bank

¹ Reciprocal interbank demand deposits with banks in the United States, except private banks and American branches of foreign banks, must be reported net.

² For current required reserve percentages, see latest supplement to Regulation D.

(The schedules referred to above are set forth on the reverse side)

SCHEDULE D—CASH AND BALANCES WITH OTHER BANKS
(including reserve balance and cash items in process of collection)

	DOLLARS			CTS.	
1. Cash items in process of collection, including exchanges for clearing house.....					1
2. Demand balances, excluding reciprocal balances, with banks in the U. S. (except private banks and American branches of foreign banks).....					2
3. TOTAL of items 1 and 2.....					3
4. Other balances with banks in the United States (including private banks and American branches of foreign banks).....					4
5. Balances with banks in foreign countries (including balances with foreign branches of <i>other</i> American banks) ..					5
6. Currency and coin.....					6
7. Reserve with Federal Reserve Bank.....					7
8. TOTAL of items 3 to 7 (must agree with item 1 of "Assets")					8

SCHEDULE E—DEMAND DEPOSITS

1. Deposits of individuals, partnerships, and corporations (must agree with item 13 of "Liabilities").....					1
2. (a) Deposits of United States Government War Loan and Series E bond acct.....					2(a)
(b) " " " " " —Other demand deposits of U. S. Govt.....					(b)
3. Deposits of States and political subdivisions.....					3
4. Deposits, excluding reciprocal balances, of banks in the U. S. (including private banks and American branches of foreign banks).....					4
5. Deposits of banks in foreign countries (including balances of foreign branches of <i>other</i> American banks).....					5
6. Certified and officers' checks (including dividend checks), letters of credit and travelers' checks sold for cash, and amounts due to Federal Reserve Bank (transit account) (must agree with item 18 of "Liabilities").....					6
7. TOTAL DEMAND DEPOSITS.....					7

SCHEDULE F—TIME DEPOSITS

1. Deposits of individuals, partnerships, and corporations (including \$..... deposits accumulated for payment of personal loans) (must agree with item 14 of "Liabilities").....					1
2. Deposits of United States Govt. \$....., Postal savings deposits \$.....					2
3. Deposits of States and political subdivisions.....					3
4. Deposits of banks in the United States (including private banks and American branches of foreign banks)....					4
5. Deposits of banks in foreign countries (including balances of foreign branches of <i>other</i> American banks).....					5
6. TOTAL TIME DEPOSITS.....					6

FEDERAL RESERVE BANK
OF NEW YORK

June 13, 1947

TERMINATION OF WAR-TIME EXEMPTION FROM RESERVE REQUIREMENTS

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

Pursuant to the last sentence of section 19 of the Federal Reserve Act, until six months after the cessation of hostilities of World War II as determined by proclamation of the President of the United States or concurrent resolution of the Congress, a member bank will not be required to maintain reserves in respect of any balance held by it in a War Loan Deposit Account or in a "Series E, Bond Account." On December 31, 1946, the President of the United States proclaimed the cessation of hostilities of World War II effective as of noon on that date. Accordingly, the war-time exemption from reserve requirements provided by section 19 of the Federal Reserve Act will expire on June 30, 1947; and, effective July 1, 1947, balances in a War Loan Deposit Account and in a "Series E, Bond Account" will be subject to reserve requirements.

We are transmitting to you herewith a copy of our Circular No. 3224, effective July 1, 1947, entitled "Reserves of Member Banks." This circular, which takes account of the change in reserve requirements referred to above, will supersede, on its effective date, our current Circular No. 3099, dated June 17, 1946, on the same subject. Form F. R. 414 and the schedules referred to therein, which are used in preparing the information as to deposits and reserves required to be reported to us on Form R. B. 20 or R. B. 13, have been revised to conform to this change in reserve requirements, and are reproduced on pages 3 and 4 of Circular No. 3224. Forms R. B. 20 and R. B. 13 have also been revised to conform to such change.

Central reserve and reserve city banks should use our *current* Form R. B. 20 in reporting for the weekly period beginning June 27 and ending July 3, 1947, and thereafter our *revised* Form R. B. 20 should be used. In reporting on the current form for the week ending July 3, 1947, war loan deposits and deposits in a "Series E, Bond Account" should be entered in column 2 (c) on the lines opposite Friday, Saturday, Sunday and Monday (June 27, 28, 29 and 30, respectively), but no entry in that column should be made for such deposits on the lines opposite Tuesday, Wednesday and Thursday (July 1, 2 and 3, respectively). A supply of the revised Form F. R. 414, and of our revised Form R. B. 20 will be sent to each such reporting bank in time to prepare the report for the weekly period ending July 10, 1947.

Banks, other than central reserve and reserve city banks, should use our *revised* Form R. B. 13 in reporting for the period beginning July 1 and ending on July 15, 1947, and for each reporting period thereafter. A supply of the revised Form F. R. 414, and of our Form R. B. 13 will be sent to each such reporting bank in time to prepare the report for the period ending July 15, 1947.

ALLAN SPROUL,
President.