

FEDERAL RESERVE BANK  
OF NEW YORK

[Circular No. 3383]  
[September 28, 1948]

REGULATION D OF THE BOARD OF GOVERNORS  
OF THE FEDERAL RESERVE SYSTEM AS AMENDED EFFECTIVE  
SEPTEMBER 16, 1948

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

Enclosed herewith is a printed copy of Regulation D of the Board of Governors of the Federal Reserve System as amended effective September 16, 1948, relating to reserves of member banks. This copy of Regulation D incorporates all the presently effective changes in the regulation since the last printing in the form as amended effective July 14, 1942. A printed copy of the current Supplement to Regulation D was sent to you recently with our Circular No. 3372, dated September 8, 1948.

Additional copies of Regulation D and Supplement will be furnished upon request.

ALLAN SPROUL,  
*President.*

**BOARD OF GOVERNORS  
of the  
FEDERAL RESERVE SYSTEM**

---

**RESERVES OF MEMBER BANKS**



**REGULATION D**

This Regulation as printed herewith is in  
the form as amended effective September 16, 1948.



**INQUIRIES REGARDING THIS REGULATION**

**Any inquiry relating to this regulation should be addressed  
to the Federal Reserve Bank or Federal  
Reserve branch bank of the district  
in which the inquiry arises.**

## CONTENTS

	Page
Authority for Regulation .....	4
Sec. 1. <i>Definitions</i> .....	4
(a) Demand deposits .....	4
(b) Time deposits .....	4
(c) Time certificates of deposit .....	4
(d) Time deposits, open account .....	4
(e) Savings deposits .....	5
(f) Gross demand deposits .....	6
(g) Cash items in process of collection .....	6
(h) Net demand deposits .....	6
Sec. 2. <i>Computation of Reserves</i> .....	6
(a) Amounts of reserves to be maintained .....	6
(b) Deductions allowed in computing reserves .....	7
(c) Availability of cash items as reserve .....	8
(d) Reserves against trust funds .....	8
(e) Continuance of "time deposit" status .....	8
Sec. 3. <i>Deficiencies in Reserves</i> .....	9
(a) Computation of deficiencies .....	9
(b) Penalties .....	9
(c) Notice to directors of banks deficient in reserves .....	9
(d) Continued deficiencies .....	10
Appendix .....	11

## REGULATION D

Amended effective September 16, 1948.

### RESERVES OF MEMBER BANKS

#### AUTHORITY FOR REGULATION

This regulation is issued under authority of provisions of section 19 of the Federal Reserve Act which, together with related provisions of law, are published in the Appendix hereto.

#### SECTION 1. DEFINITIONS

(a) **Demand deposits.**—The term “demand deposits” includes all deposits except “time deposits” as defined below.

(b) **Time deposits.**—The term “time deposits” means “time certificates of deposit”, “time deposits, open account” and “savings deposits”, as defined below.

(c) **Time certificates of deposit.**—The term “time certificate of deposit” means a deposit evidenced by a negotiable or non-negotiable instrument which provides on its face that the amount of such deposit is payable to bearer or to any specified person or to his order—

(1) On a certain date, specified in the instrument, not less than thirty days after the date of the deposit, or

(2) At the expiration of a certain specified time not less than thirty days after the date of the instrument, or

(3) Upon notice in writing which is actually required to be given not less than thirty days before the date of repayment,<sup>1</sup> and

(4) In all cases only upon presentation and surrender of the instrument.

(d) **Time deposits, open account.**—The term “time deposit, open account” means a deposit, other than a “time certificate of deposit” or a “savings deposit”, with respect to which there is in force a written contract with the depositor that neither the whole nor any part of such deposit may be withdrawn, by check or otherwise, prior to the

<sup>1</sup> A deposit with respect to which the bank merely reserves the right to require notice of not less than thirty days before any withdrawal is made is not a “time certificate of deposit” within the meaning of the above definition.

date of maturity, which shall be not less than thirty days after the date of the deposit,<sup>2</sup> or prior to the expiration of the period of notice which must be given by the depositor in writing not less than thirty days in advance of withdrawal.<sup>3</sup>

(e) **Savings deposits.**—The term “savings deposit” means a deposit, evidenced by a pass book, consisting of funds (i) deposited to the credit of one or more individuals, or of a corporation, association or other organization operated primarily for religious, philanthropic, charitable, educational, fraternal or other similar purposes and not operated for profit,<sup>4</sup> or (ii) in which the entire beneficial interest is held by one or more individuals or by such a corporation, association or other organization, and in respect to which deposit—

(1) The depositor is required, or may at any time be required, by the bank to give notice in writing of an intended withdrawal not less than thirty days before such withdrawal is made;

(2) Withdrawals are permitted in only two ways, either (i) upon presentation of the pass book, through payment to the person presenting the pass book, or (ii) without presentation of the pass book, through payment to the depositor himself but not to any other person whether or not acting for the depositor.<sup>5</sup>

The presentation by any officer, agent or employee of the bank of a pass book or a duplicate thereof retained by the bank or by any of its officers, agents or employees is not a presentation of the pass book within the meaning of this regulation except where the pass book is held by the bank as a part of an estate of which the bank is a trustee or other fiduciary, or where the pass book is held by the bank as security for a loan. If a pass book is retained by the bank, it may not be delivered to any person other than the depositor for the purpose of enabling such person to present the pass book in order to make a withdrawal, although the bank may deliver the pass

---

<sup>2</sup> Deposits, such as Christmas club accounts and vacation club accounts, which are made under written contracts providing that no withdrawal shall be made until a certain number of periodic deposits have been made during a period of not less than three months constitute “time deposits, open account” even though some of the deposits are made within thirty days from the end of such period.

<sup>3</sup> A deposit with respect to which the bank merely reserves the right to require notice of not less than thirty days before any withdrawal is made is not a “time deposit, open account”, within the meaning of the above definition.

<sup>4</sup> Deposits in joint accounts of two or more individuals may be classified as savings deposits if they meet the other requirements of the above definition, but deposits of a partnership operated for profit may not be so classified. Deposits to the credit of an individual of funds in which any beneficial interest is held by a corporation, partnership, association or other organization operated for profit or not operated primarily for religious, philanthropic, charitable, educational, fraternal or other similar purposes may not be classified as savings deposits.

<sup>5</sup> Presentation of a pass book may be made over the counter or through the mails; and payment may be made over the counter, through the mails or otherwise, subject to the limitations of paragraph (2) above as to the person to whom such payment may be made.

book to a duly authorized agent of the depositor for transmittal to the depositor.

Every withdrawal made upon presentation of a pass book shall be entered in the pass book at the time of the withdrawal, and every other withdrawal shall be entered in the pass book as soon as practicable after the withdrawal is made.

(f) **Gross demand deposits.**—The term “gross demand deposits” means the sum of all demand deposits, including demand deposits made by other banks, the United States, States, counties, school districts and other governmental subdivisions and municipalities, and all outstanding certified and officers’ checks (including checks issued by the bank in payment of dividends), letters of credit and travelers’ checks sold for cash, and drafts drawn upon or other authorizations to charge the member bank’s reserve account at the Federal Reserve bank.

(g) **Cash items in process of collection.**—The term “cash items in process of collection” means—

(1) Checks in process of collection, drawn on a bank, private bank, or any other banking institution, which are payable immediately upon presentation in the United States, including checks with a Federal Reserve bank in process of collection and checks on hand which will be presented for payment or forwarded for collection on the following business day;

(2) Government checks and warrants drawn on the Treasurer of the United States which are in process of collection;

(3) Such other items in process of collection, payable immediately upon presentation in the United States, as are customarily cleared or collected by banks as cash items.

Items handled as non-cash collections may not be treated as “cash items in process of collection” within the meaning of this regulation.

(h) **Net demand deposits.**—The term “net demand deposits” means gross demand deposits as defined in subsection (f) of this section less the deductions allowed under the provisions of subsection (b) of section 2 of this regulation.

#### SECTION 2. COMPUTATION OF RESERVES

(a) **Amounts of reserves to be maintained.**—Every member bank of the Federal Reserve System is required by law to maintain on deposit with the Federal Reserve bank of its district an actual net balance equal to three per cent of its time deposits plus—

Seven per cent of its net demand deposits if not in a reserve or central reserve city.

Ten 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 seven per cent reserves against its net demand deposits.

Thirteen 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 seven per cent or ten per cent reserves against its net demand deposits.

For the purposes of this subsection and of paragraph (1) of subsection (a) of section 3 of this regulation, a member bank shall be considered to be in a central reserve city if the head office or any branch of such bank is located in a central reserve city, and a member bank shall be considered to be in a reserve city if the head office or any branch thereof is located in a reserve city and neither the head office nor any branch thereof is located in a central reserve city; provided that, if a member bank is considered to be in a central reserve city or a reserve city under this paragraph solely by reason of the location of an office of such bank in an outlying district of such a 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 lower reserve balances as above provided in this subsection.

Notwithstanding any other provision of this regulation, the actual net balance which each member bank is required to maintain on deposit with the Federal Reserve bank of its district in accordance with the foregoing shall be changed by such percentage, within the limitations prescribed by law,<sup>6</sup> as the Board of Governors of the Federal Reserve System shall prescribe from time to time pursuant to section 19 of the Federal Reserve Act, as amended, in order to prevent injurious credit expansion or contraction.

**(b) Deductions allowed in computing reserves.**—In determining the reserve balances required under the terms of this regulation, member banks may deduct from the amount of their gross demand de-

<sup>6</sup>The amount of the reserves required to be maintained by any such member bank as a result of any such change may not be less than the amount of the reserves specified above nor more than twice such amount, except that through June 30, 1949, the required reserves for time deposits may be not more than 7½ per cent and those for demand deposits of banks in central reserve cities, reserve cities, and other places may be not more than 30 per cent, 24 per cent, and 18 per cent, respectively.



posits the amounts of balances subject to immediate withdrawal due from other banks and cash items in process of collection as defined in subsection (g) of section 1 of this regulation. Balances "due from other banks" do not include balances due from Federal Reserve banks, balances (payable in dollars or otherwise) due from foreign banks or branches thereof wherever located, or balances due from foreign branches of domestic banks. The word "banks" in the term "due from other banks" refers to incorporated banks and does not include private banks or bankers.<sup>7</sup>

(c) **Availability of cash items as reserve.**—Cash items forwarded to a Federal Reserve bank for collection and credit cannot be counted as part of the minimum reserve balance to be carried by a member bank with its Federal Reserve bank until the expiration of such time as may be specified in the appropriate time schedule referred to in Regulation J. If a member bank draw against items before such time, the draft will be charged against its reserve balance if such balance be sufficient in amount to pay it; but any resulting impairment of reserve balances will be subject to the penalties provided by law and by this regulation: *Provided, however,* That the Federal Reserve bank may, in its discretion, refuse at any time to permit the withdrawal or other use of credit given in its reserve account for any item for which the Federal Reserve bank has not received payment in actually and finally collected funds.

(d) **Reserves against trust funds.**—A member bank exercising trust powers need not maintain reserves against trust funds which it keeps properly segregated as trust funds and apart from its general assets or which it deposits in another institution to the credit of itself as trustee or other fiduciary. If, however, such funds are mingled with the general assets of the bank, as permitted to national banks under authority of section 11(k) of the Federal Reserve Act, a deposit liability thereby arises against which reserves must be maintained.

(e) **Continuance of "time deposit" status.**—A deposit which at the time of deposit was a "deposit evidenced by a time certificate of deposit", "time deposit, open account", or "savings deposit" continues to be a "time deposit" until maturity or the expiration of the period of notice of withdrawal, although it has become payable within thirty days. After the date of maturity of any time deposit, such deposit is a demand deposit. After the expiration of the period of notice given with respect to the repayment of any savings deposit or other time deposit, such deposit is a demand deposit, except that, if the owner

---

<sup>7</sup> A member bank exercising fiduciary powers may not include in balances "due from other banks" amounts of trust funds deposited with other banks and due to it as trustee or other fiduciary. If trust funds are deposited by the trust department of a member bank in its commercial or savings department and are then redeposited in another bank subject to immediate withdrawal they may be included by the member bank in balances "due from other banks", subject to the provisions of subsection (b) above.

of such deposit advise the bank in writing that the deposit will not be withdrawn pursuant to such notice or that the deposit will thereafter again be subject to the contract or requirements applicable to such deposit, the deposit will again constitute a savings deposit or other time deposit, as the case may be, after the date upon which such advice is received by the bank.

### SECTION 3. DEFICIENCIES IN RESERVES

#### (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.<sup>8</sup>

(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.

#### (b) Penalties.

(1) Penalties for such deficiencies will be assessed monthly on the basis of average daily deficiencies during each of the reserve computation periods ending in the preceding calendar month.

(2) Such penalties will be assessed at a rate of two per cent per annum above the Federal Reserve bank rate applicable to discounts of ninety day commercial paper for member banks, in effect on the first day of the calendar month in which the deficiencies occurred.

(c) **Notice to directors of banks deficient in reserves.**—Whenever it shall appear that a member bank is not paying due regard to the maintenance of its reserves, the Federal Reserve bank shall address a letter to each director of such bank calling attention to the situation and advising him of the requirements of the law and of this regulation regarding the maintenance of reserves.

---

<sup>8</sup> 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 semimonthly periods.

(d) **Continued deficiencies.**—If, after the notice provided for in subsection (c) of this section 3 has been given, it shall appear that the member bank is continuing its failure to pay due regard to the maintenance of its reserves, the Federal Reserve bank shall report such fact to the Board of Governors of the Federal Reserve System with a recommendation as to whether or not the Board should—

(1) In the case of a national bank, direct the Comptroller of the Currency to bring suit to forfeit the charter of such national bank pursuant to section 2 of the Federal Reserve Act; or

(2) In the case of a State member bank, institute proceedings to require such bank to surrender its stock in the Federal Reserve bank and to forfeit all rights and privileges of membership pursuant to section 9 of the Federal Reserve Act; or

(3) In either case, take such other action as the Federal Reserve bank may recommend or the Board of Governors of the Federal Reserve System may consider advisable.

## APPENDIX

## STATUTORY PROVISIONS

Section 19 of the Federal Reserve Act provides in part as follows:

The Board of Governors of the Federal Reserve System is authorized, for the purposes of this section, to define the terms "demand deposits", "gross demand deposits", "deposits payable on demand", "time deposits", "savings deposits", and "trust funds", to determine what shall be deemed to be a payment of interest, and to prescribe such rules and regulations as it may deem necessary to effectuate the purposes of this section and prevent evasions thereof: *Provided*, That, within the meaning of the provisions of this section regarding the reserves required of member banks, the term "time deposits" shall include "savings deposits."

Every bank, banking association, or trust company which is or which becomes a member of any Federal reserve bank shall establish and maintain reserve balances with its Federal reserve bank as follows:

(a) If not in a reserve or central reserve city, as now or hereafter defined, it shall hold and maintain with the Federal reserve bank of its district an actual net balance equal to not less than seven per centum of the aggregate amount of its demand deposits and three per centum of its time deposits.

(b) If in a reserve city, as now or hereafter defined, it shall hold and maintain with the Federal reserve bank of its district an actual net balance equal to not less than ten per centum of the aggregate amount of its demand deposits and three per centum of its time deposits: *Provided, however*, That if located in the outlying districts of a reserve city or in territory added to such a city by the extension of its corporate charter, it may, upon the affirmative vote of five members of the Board of Governors of the Federal Reserve System, hold and maintain the reserve balances specified in paragraph (a) hereof.

(c) If in a central reserve city, as now or hereafter defined, it shall hold and maintain with the Federal reserve bank of its district an actual net balance equal to not less than thirteen per centum of the aggregate amount of its demand deposits and three per centum of its time deposits: *Provided, however*, That if located in the outlying districts of a central reserve city or in territory added to such city by the extension of its corporate charter, it may, upon the affirmative vote of five members of the Board of Governors of the Federal Reserve System, hold and maintain the reserve balances specified in paragraphs (a) or (b) thereof.

Notwithstanding the other provisions of this section, the Board of Governors of the Federal Reserve System, upon the affirmative vote of not less than four of its members, in order to prevent

injurious credit expansion or contraction, may by regulation change the requirements as to reserves to be maintained against demand or time deposits or both (1) by member banks in central reserve cities or (2) by member banks in reserve cities or (3) by member banks not in reserve or central reserve cities or (4) by all member banks; but the amount of the reserves required to be maintained by any such member bank as a result of any such change shall not be less than the amount of the reserves required by law to be maintained by such bank on the date of enactment of the Banking Act of 1935 nor more than twice such amount.

Notwithstanding any other provision of law, the Board of Governors of the Federal Reserve System, in order to prevent injurious credit expansion, may by regulation change the requirements as to reserves to be maintained pursuant to this section against demand or time deposits or both (1) by member banks in central reserve cities, or (2) by member banks in reserve cities, or (3) by member banks not in reserve or central reserve cities, or (4) by all member banks; but no such change shall have the effect of requiring any such member bank to maintain a reserve balance against its time deposits in an amount equal to more than 7½ per centum thereof, or a reserve balance against its demand deposits in an amount equal to more than 30 per centum thereof if such bank is in a central reserve city, 24 per centum thereof if in a reserve city, or 18 per centum thereof if not in a reserve or central reserve city. No change in reserve requirements made under authority of this paragraph shall continue in effect after June 30, 1949.

\* \* \* \* \*

The required balance carried by a member bank with a Federal reserve bank may, under the regulations and subject to such penalties as may be prescribed by the Board of Governors of the Federal Reserve System, be checked against and withdrawn by such member bank for the purpose of meeting existing liabilities.

In estimating the reserve balances required by this Act, member banks may deduct from the amount of their gross demand deposits the amounts of balances due from other banks (except Federal Reserve banks and foreign banks) and cash items in process of collection payable immediately upon presentation in the United States, within the meaning of these terms as defined by the Board of Governors of the Federal Reserve System.

\* \* \* \* \*

Notwithstanding the provisions of the First Liberty Bond Act, as amended, the Second Liberty Bond Act, as amended, and the Third Liberty Bond Act, as amended, member banks shall be required to maintain the same reserves against deposits of public moneys by the United States as they are required by this section to maintain against other deposits: *Provided*, That until six months after the cessation of hostilities in the present war as determined by proclamation of the President or concurrent resolution of the Congress no deposit payable to the United States

by any member bank arising solely as the result of subscriptions made by or through such member bank for United States Government securities issued under authority of the Second Liberty Bond Act, as amended, shall be subject to the reserve requirements of this section.

[“Cessation of hostilities” was proclaimed by the President on December 30, 1946; and, accordingly, the proviso in the above paragraph expired six months after that date.]

Section 11 of the Federal Reserve Act provides in part as follows:

The Board of Governors of the Federal Reserve System shall be authorized and empowered: \* \* \* (c) To suspend for a period not exceeding thirty days, and from time to time to renew such suspension for periods not exceeding fifteen days, any reserve requirements specified in this Act: *Provided*, That it shall establish a graduated tax upon the amounts by which the reserve requirements of this Act may be permitted to fall below the level hereinafter specified \* \* \*.