

General Files Division has blue & yellow forms belonging to this circular.

(supplemented by 229)  
Reference to 175, 159;  
" " 146, 123

FEDERAL RESERVE BANK  
OF NEW YORK

ACCOUNTING DEPARTMENT

September 13, 1919.

IMPORTANT

**New Method of Reporting Reserves Effective October 1, 1919.**

TO ALL MEMBER BANKS IN THE SECOND FEDERAL RESERVE DISTRICT,

DEAR SIRs:

Since the inauguration of the Federal Reserve System the reserves of member banks in this Federal Reserve district have been calculated by this bank on the basis of monthly averages, but in other districts a number of other plans, some on a semi-monthly, some on a weekly and some on a daily basis, have been in operation. The Federal Reserve Board now feels that the time has arrived, after a trial of these various plans, to follow throughout the system a uniform method of calculating reserve balances, and has accordingly adopted the following basis effective October 1, 1919.

**For banks in reserve and central reserve cities: a weekly average.**

**For banks in other places: a semi-monthly average.**

Beginning October 1, therefore, we will request our member banks

- (1) In the Boroughs of Manhattan, Brooklyn, and Bronx, in New York City, and in the cities of Albany and Buffalo, to send us a **weekly** report, and
- (2) In all other places to send us a **semi-monthly** report showing the net deposits each day from which the average required reserve has been calculated.

We send herewith a supply of Forms A and B for use in reporting. Form A contains the report, which should be mailed to us weekly or semi-monthly, as the case may be. Form B, which indicates the method to be used in computing reserves, is not to be mailed to us but may be of use to member banks in obtaining the correct figures to report on Form A.

We have also prepared an analysis sheet by the use of which those member banks which so desire may readily determine each day their exact available reserves. Copies of this analysis sheet together with a brief explanation describing its operation will be sent on request.

Very truly yours,



Deputy Governor.

(NOTE—Deficient Reserves. The regulations of the Federal Reserve Board prescribe a penalty on deficient reserves of 2% above our 90-day discount rate, which is at present 4¾%. A penalty of 6¾%, therefore, for deficiencies in reserve will be calculated on the basis of the above reports and will be assessed monthly.)

see circular 229

*one - 200 cent*

**FORM PREPARED BY THE FEDERAL RESERVE BOARD  
FOR THE COMPUTATION OF RESERVES TO BE  
CARRIED BY MEMBER BANKS WITH  
FEDERAL RESERVE BANKS**

Date.....

**NET DEMAND DEPOSITS**

- 1. Deposits payable within thirty days not including U. S. Government Deposits and Items 2, 3, 4 and 5 . . . . . \$.....
- 2. Balance due to Banks other than Federal Reserve Bank (include Foreign Banks) \$.....
- 3. Amount due to Federal Reserve Bank Deferred Credits . . . . . \$.....
- 4. Cashier's checks outstanding . . . . . \$.....
- 5. Certified checks outstanding . . . . . \$.....
- Total due to banks (Items 2, 3, 4 and 5) . . . . . \$.....

Less

Deductions of the following items are permitted only from the total of Items 2, 3, 4 and 5. Should the total of Items 6, 7, 8 and 9 exceed the total of Items 2, 3, 4 and 5, both groups must be omitted from the calculation.

- 6. Balances due from banks other than Federal Reserve Bank and Foreign banks . . . . . \$.....
- 7. Items with Federal Reserve Bank in process of collection . . . . . \$.....
- 8. Exchanges for Clearing House . . . . . \$.....
- 9. Checks on other banks in the same place \$.....
- Total deduction (Items 6, 7, 8 and 9) . . . . . \$.....
- 10. Net Balance due to banks . . . . . \$.....
- 11. **Total Net Demand Deposits** (Items 1 and 10) . . . . . \$.....

**TIME DEPOSITS**

- 12. Savings accounts (subject to not less than thirty days' notice before payment) . . . . . \$.....
- 13. Certificates of deposit (subject to not less than thirty days' notice before payment) . . . . . \$.....
- 14. Other deposits payable only after thirty days . . . . . \$.....
- 15. Postal Savings Deposits . . . . . \$.....
- 16. **Total Time Deposits** (Items 12, 13, 14 and 15) . . . . . \$.....



### ANALYSIS OF RESERVE ACCOUNT

It is of value and importance to a member bank to know each day the amount of its **available reserve**. By the use of a form, similar to that shown on the lower half of this sheet, it is a very easy matter to analyze the account DUE FROM FEDERAL RESERVE BANK and arrive at the amount of available reserve.

To use this form it will not be necessary for the member bank to make any change whatever in its present method of keeping its account with the Federal Reserve Bank. **It will only be necessary to enter each item whether debit or credit going into the account under the date on which it is figured the corresponding entry will be made on the books of the Federal Reserve Bank.**

Member banks maintaining but one account with the Federal Reserve Bank can readily prove this analysis to their ledger account by adding to the current day's available reserve all of the debit items and subtracting all credit items appearing under subsequent dates.

The figures shown in the analysis are taken from the specimen statement of account appearing immediately below.

#### MONTHLY STATEMENT OF RESERVE ACCOUNT

ACCOUNT OF THE  
X NATIONAL BANK

MONTH OF  
July 1919

#### DUE FROM FEDERAL RESERVE BANK

DATE		DEBITS	AMOUNT	DATE	AMOUNT	CREDITS	DATE	DEBIT BALANCE
						<b>BALANCE</b>		
14	CL	1 D *	11,000	14	5,000 †	Dft	13	84,315
		3 D	2,300		600 †	"		
		3 D	1,400		16,500 †	" For C L		
	Re Disc		20,000 †		10,000 †	Wire Transfer		
	Currency		8,000 †					
15	C L	1 D	16,000	15	6,000 †	Note	14	94,915
		2 D	2,100		200	Dft		
		3 D	6,000		1,000	"		
	Cpn Letter		350		12,000	" For C L		
	Currency		3,000					
16	C L	1 D	12,500	16	9,000	Note	15	103,165
		2 D	5,000		800	Dft		
	Re Disc		25,000		1,500	"		
	Currency		2,000		11,500	" For C L		
					15,000	Wire Transfer		
					25,000	Dft	16	84,865
17	C L	1 D	9,500	17	1,000	"		
	Cpn Letter		400		12,500	" For C L		
	Re Disc		6,000				17	87,265

\* 1 D etc., indicates the number of days that should elapse between the date items are forwarded and the date it is expected they will be available on the books of the Federal Reserve Bank. This information can be easily determined by referring to the time schedule issued by the Federal Reserve Bank.

† Debits and credits entering into analysis on July 14 and July 15 are in this illustration all entered under date of July 16.

FEDERAL RESERVE BANK OF NEW YORK

SHOWING AMOUNT AVAILABLE AS LEGAL RESERVE

ITEMS AVAILABLE July 16 and before				ITEMS AVAILABLE July 17				ITEMS AVAILABLE July 18									
DATE SENT	DEBIT		DATE SENT	CREDIT		DATE SENT	DEBIT		DATE SENT	CREDIT		DATE SENT	DEBIT		DATE SENT	CREDIT	
14	11	000	14	5	000	14	2	300	16		800	15	6	000	17	1	000
14	20	000	14		600	14	1	400	16	1	500	16	5	000	17	12	500
14	8	000	14	16	500	15	2	100	16	11	500	17	9	500			
15	16	000	14	10	000	16	12	500	16	25	000	17		400			
15		350	15	6	000	16	2	000									
15	3	000	15		200	17	6	000									
16	25	000	15	1	000												
			15	12	000												
			16	9	000												
			16	15	000												
<b>TOTAL</b>	<b>83</b>	<b>350</b>	<b>TOTAL</b>	<b>75</b>	<b>300</b>	<b>TOTAL</b>	<b>26</b>	<b>300</b>	<b>TOTAL</b>	<b>38</b>	<b>800</b>	<b>TOTAL</b>			<b>TOTAL</b>		
<b>Add yesterday's Available Res.</b>	<b>84</b>	<b>315</b>	<b>RESERVE POSITION</b>		<b>Add yesterday's Available Res.</b>	<b>92</b>	<b>365</b>	<b>RESERVE POSITION</b>		<b>Add yesterday's Available Res.</b>			<b>RESERVE POSITION</b>		<b>Average Required To date</b>		
	<b>167</b>	<b>665</b>	<b>Average Required To date</b>	<b>84</b>	<b>250</b>		<b>118</b>	<b>665</b>	<b>Average Required To date</b>	<b>84</b>	<b>395</b>						
<b>Deduct Today's Credits</b>	<b>75</b>	<b>300</b>	<b>Available To date</b>	<b>92</b>	<b>365</b>	<b>Deduct Today's Credits</b>	<b>38</b>	<b>800</b>	<b>Available Reserve Today</b>	<b>79</b>	<b>865</b>	<b>Average Available To date</b>	<b>86</b>	<b>115</b>	<b>Available Reserve Today</b>		
<b>Available Reserve Today</b>	<b>92</b>	<b>365</b>															
<b>Net Demand Deposits</b>	<b>985</b>	<b>000</b>	<b>Required Reserve at 7%</b>	<b>68</b>	<b>950</b>	<b>Net Demand Deposits</b>	<b>987</b>	<b>000</b>	<b>Required Reserve at 7%</b>	<b>60</b>	<b>090</b>	<b>Net Demand Deposits</b>			<b>Required Reserve at 7%</b>		
<b>Time Deposits</b>	<b>510</b>	<b>000</b>	<b>Required Reserve at 3%</b>	<b>15</b>	<b>300</b>	<b>Time Deposits</b>	<b>515</b>	<b>000</b>	<b>Required Reserve at 3%</b>	<b>15</b>	<b>450</b>	<b>Time Deposits</b>			<b>Required Reserve at 3%</b>		
			<b>Total Required Reserve</b>	<b>84</b>	<b>250</b>				<b>Total Required Reserve</b>	<b>84</b>	<b>540</b>				<b>Total Required Reserve</b>		

In the illustration above it is assumed that the analysis was started on July 16 and that the debit balance as shown by the statement on July 13 was all available by July 16. It is possible to trace readily the entries made on the analysis sheet from the account. It will be noted that all items available on or before July 16 have been entered under that date while those available later have been entered under the proper subsequent dates. By the use of this analysis the available reserve balance for each day can be determined by adding to the previous day's available balance the debit items of the current day and deducting from the total the credit items of the current day.

Member banks maintaining a collection account with the Federal Reserve Bank will find this form of use as an analysis of the collection account and as the basis of making transfers from the collection to the reserve account.

The form also provides for showing the actual required reserve each day which figure should be arrived at from the form on which net demand and time deposits are calculated. (Form R. B. 14). It will be found desirable also to show the average required reserve to date for either the weekly or semi-monthly period, as the case may be, and the average available reserve for the same period.