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SHERMAN P. ALLEN, ASST. SECRETARY
AND FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

September 11, 1917.

Dear Sir:

The Board wishes to call your attention to the importance of enforcing rigidly the regulations regarding penalties for impairment of reserve accounts. Last June there was some demand for accommodation at some of the banks, and it is anticipated that this pressure will be much greater within the next two or three months than it was then. If the policy of penalizing impaired reserve balances is not vigorously enforced by all Federal Reserve Banks, we may have to deal with a troublesome situation because of the reluctance of member banks to discount paper or to borrow money.

In order that it may be informed as to the situation, the Board requests that you advise this office of the practice of your bank in regard to impaired reserve accounts, both as to the penalties imposed, and as to the statements you receive from your member banks with respect to their deposits and reserves. Please forward copies of these statements.

Very truly yours,

Governor.