

EX OFFICIO MEMBERS

CARTER GLASS

SECRETARY OF THE TREASURY  
CHAIRMANJOHN SKELTON WILLIAMS  
COMPTROLLER OF THE CURRENCYADDRESS REPLY TO  
FEDERAL RESERVE BOARD

## FEDERAL RESERVE BOARD

WASHINGTON

W. P. G. HARDING, GOVERNOR  
ALBERT STRAUSS, VICE GOVERNOR  
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R. G. EMERSON, ASSISTANT SECRETARY  
W. M. IMLAY, FISCAL AGENT

January 15, 1920.

X-1800

Subject: Penalties for Deficient Reserves.

Dear Sir:-

By direction of the Federal Reserve Board I enclose herewith for your information, copy of letter addressed to the Governor of a Federal Reserve Bank under date of January 15th, calling attention to the provisions of Section 19 of the Federal Reserve Act with reference to the maintenance by member banks of sufficient reserves at Federal Reserve Banks, and providing certain penalties in connection with deficiencies therein.

Very truly yours,

Enc.

Secretary.

Letter to Governors of all F.R. Banks except Cleveland

## FEDERAL RESERVE BOARD

WASHINGTON

X-1800 a

"January 15, 1919.

Dear Sir:-

Your letter of the 13th instant regarding the continuous depletion of reserves of certain of your member banks for long periods of time has been considered by the Federal Reserve Board. In other districts the Board has approved a progressive penalty for deficiencies in reserves and is prepared to do so in the case of your bank. It is important that member banks be made to meet the requirements of the law with respect to reserves, and in the case of national banks you are requested to forward to the Comptroller of the Currency a list of the banks whose reserves have been deficient for continued periods.

It would be well to call the attention of all your member banks, state as well as national, to the paragraph in Section 19 of the Federal Reserve Act which reads as follows:

"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the regulations and subject to such penalties as may be prescribed by the Federal Reserve Board, be checked against and withdrawn by such member bank for the purpose of meeting existing liabilities: Provided, however, That no bank shall at any time make new loans or shall pay any dividends unless and until the total balance required by law is fully restored."

It is suggested that in the case of delinquent state banks you send a list to the state superintendent of banking and call his attention to the proviso above quoted."

Very truly yours,

(signed) W.P.G. HARDING.

Governor.