

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARDOctober 29, 1923.
St. 3766SUBJECT: Reserve requirements of member and
nonmember state banks.

Dear Sir:

With reference to the hearings being conducted by the Joint Congressional Committee to determine the reasons why eligible state banks fail to join the Federal Reserve System, the Board is desirous of obtaining as accurate information as it is practicable to collect showing whether the amount of reserve which the several classes of banks in each state would be required to carry with the Federal reserve banks, if they became members of the System, is larger or smaller than the reserves which they are now required to carry under state laws.

It will be appreciated, therefore, if you will furnish the Board by November 15, if practicable, with a statement showing the information outlined below for each class of banks, as defined by State law, in the following states in your district:

In all cases where a state is located in two Federal reserve districts, the Federal Reserve Agent in whose district the capital of the state is located is being requested to furnish this information.

(1) Method of determining deposit liabilities upon which reserves are computed. This statement should show each class of deposit liabilities against which reserves are required to be carried, and each class of deductions, if any, that may be made from gross deposits in the calculation of net deposit liabilities on which reserves are computed. If possible, two copies of the blank forms used by each class of banks in computing their deposit liabilities should be enclosed with your reply.

(2) A detailed calculation of the deposit liability for a typical bank, or group of banks, in each class and for each state, showing the total amount and per cent of reserves required, the amount and per cent required to be carried in vault, the amount and per cent that may be held on deposit with banks designated as approved reserve agents, and the amount, per cent and character of other funds or securities, if any, which the state law authorizes to be counted as a part of the legally required reserve.

In addition to the legally required amounts, the statement should show for the banks selected the actual amounts of cash carried in vault, the amounts held on deposit with approved reserve agents and with other banks,

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and the amounts of reserve carried in other authorized ways. Care should be taken to select as examples banks that are typical of their class in the matter of reserves carried and in balances with banks other than approved reserve agents. In case statements of typical non-member banks are not available it will be satisfactory for purposes of this report to use condition reports submitted by some of your present members at the time they made application for membership.

(3) A statement showing the net deposit liability and the amount of reserve that these typical banks would be required to carry with the Federal reserve banks in case they became members of the Federal Reserve System. A comparison of the required reserve, as shown under questions 2 and 3, should show whether or not loss of interest on the reserve maintained with the Federal reserve banks would be offset by interest on reserve funds released as a result of the banks' joining the system.

(4) To what extent, if any, have the present state bank members in the various states in your district, upon becoming members of the system, been able to reduce the amount which as non-member banks they had carried with city correspondents? In general has this amount been sufficient to offset the amount that they are now required to carry with the reserve bank?

(5) To what extent, if any, have the present state bank members been able, since joining the system, to reduce their cash in vault?

Very truly yours,

Walter L. Eddy,
Secretary.

LETTER TO ALL FEDERAL RESERVE AGENTS.