

FEDERAL RESERVE BOARD

WASHINGTON

X-4485

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

December 30, 1925.

SUBJECT: Ratios of Capital Assets to Current Liabilities.

Dear Sir:

At its meeting on December 1, 1925, the Federal Advisory Council at the Board's request gave consideration to the cause and probable effect of the present trend towards lower ratios of capital assets to current liabilities in the banking institutions of the country. The Council's recommendation to the Board on this topic is as follows:

"From the memorandum and chart furnished by the Federal Reserve Board it is evident that there has been a downward tendency in the proportion of capital funds of national banks to liabilities, and the chart would indicate that the ratio has reached its lowest point since 1865. It would seem, therefore, proper for the Federal Reserve Board to draw attention of the Federal reserve banks to this trend, and through them, the attention of the clearing houses and member banks with a view to encouraging a close study of the question on their part."

Accordingly, we are sending you herewith a copy of the chart showing the trend of the ratio of capital to deposits since 1865 and a table giving the same information for two more recent dates by Federal reserve districts. This material is sent to you for your information and such distribution as you may see fit to make among member banks or other banks.

Yours very truly,

Enclosure

Walter L. Eddy,
Secretary.

TO ALL FEDERAL RESERVE AGENTS.