

# FEDERAL RESERVE BOARD

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WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-5039

January 18, 1928

SUBJECT: Administration of Section IV(b) of Regulation D.

Dear Sir:

Section IV(B) of Regulation D, Series of 1928, reads as follows:

"Notice to directors of banks deficient in reserves.-

Whenever it shall appear that a bank is not paying due regard to the maintenance of its reserves, the Federal reserve agent will address a letter to each director of such bank calling attention to the situation and advising him of the requirements of the law and of this regulation regarding the maintenance of reserves and the personal liability of the directors permitting violations of the law."

This section is purposely phrased in such a way as to admit of some flexibility and to afford the Federal reserve agents an opportunity to exercise a reasonable discretion in its administration. The Board, however, will expect the Federal reserve agents to administer this section of the regulation in such a way as to carry out its purpose, and to address letters to the directors of all member banks which are not paying due regard to the maintenance of their reserves unless there is very good reason for refraining from sending such letters.

Before sending such letters, the Board desires the Federal reserve agent to consult the chief national bank examiner of his district or the State bank supervisor and ascertain whether there is anything in the circumstances surrounding such bank which would render it inadvisable to send such letter. If the chief national bank examiner or the State bank supervisor knows of no good reason why such letters should not be sent, the Federal reserve agent should at once address to each director of the bank in question a letter such as that contemplated by the above provision of the regulation. If the chief national bank examiner or the State bank supervisor, however, is of the opinion that the circumstances are such as to render it inadvisable to write such a letter to the directors thereof, the Federal reserve agent, before sending such letters to the directors of the bank in question, shall report the facts to the Federal Reserve Board with his recommendation.

By order of the Federal Reserve Board.

Walter L. Eddy,  
Secretary.

TO ALL F. R. AGENTS.