

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

February 8, 1928.

SUBJECT: Deduction of Balances due from American
Branches of Foreign Banks in Computing
Reserves.

Dear Sir:

The Federal Reserve Board was recently requested to rule upon the question whether dollar balances carried by member banks in American branches of foreign banks may be considered balances due from banks within the meaning of Section 19 of the Federal Reserve Act and accordingly deducted from the amount of balances due to banks in computing reserves.

The Federal Reserve Board's Regulation D provides that balances due from foreign banks may not be deducted from due to bank balances in computing reserves of member banks. This provision is based on the fact, however, that balances due from foreign banks are payable in foreign currency and the Board believes that the phrase "the net difference of amounts due to and from other banks" contained in Section 19 of the Act has reference only to balances payable in dollars and does not include balances payable in foreign currency. The Board has also ruled that while balances payable in foreign currency due from a foreign branch of a domestic bank may not be deducted from due to bank balances by a member bank in computing its reserves, when such balances are payable in dollars the contrary is true the deduction from due to bank balances being permitted. (1925 Federal Reserve Bulletin, page 483).

In the case under consideration the amounts due from American branches of foreign banks were payable in dollars rather than in foreign currency, and accordingly the Federal Reserve Board ruled that such balances payable in dollars due from branches located in this country of foreign banks may be deducted from amounts due to other banks by a member bank in computing its reserves under Section 19 of the Federal Reserve Act.

By order of the Federal Reserve Board.

Walter L. Eddy,
Secretary.

TO ALL
GOVERNORS AND
FEDERAL RESERVE AGENTS.