

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

X-9510

March 4, 1936.



Dear Sir:

For your information and guidance, there is inclosed a copy of a letter sent to the Cashier of the Federal Reserve Bank of San Francisco, with respect to the deduction of "branch clearing" accounts from gross demand deposits in the determination of required reserve balances of member banks.

Very truly yours,

A handwritten signature in cursive script, appearing to read "L. P. Bethea".

L. P. Bethea,  
Assistant Secretary.

Inclosure.

TO ALL FEDERAL RESERVE AGENTS

X-9510-a

March 4, 1936.

Mr. W. M. Hale, Cashier,  
Federal Reserve Bank of San Francisco,  
San Francisco, California.

Dear Mr. Hale:

In the fifth paragraph of your letter of January 10, 1936, giving the results of a comparison made of deposits as shown in the November 1, 1935 call reports and as shown in the reports of deposits submitted for reserve purposes, you state that the only differences that were difficult to reconcile or to discuss with the member banks were in connection with "branch clearing" balances carried on the books of branch banking institutions, and you make inquiry as to the proper classification of such balances in preparing call reports and in computing the daily deposit liability for reserve reports.

As you know, this matter has been considered informally on a number of occasions in the past, from the standpoint of whether such "branch clearing" accounts could be considered as constituting balances "due from banks" within the meaning of the former provisions of section 19 of the Federal Reserve Act. It appears from a letter which Mr. Sargent addressed to the Board under date of March 5, 1934, that most of the items in the "branch clearing" account represent (1) checks drawn on a member bank (or offices

or branches thereof) for which deposit credit or its equivalent has been given at offices or branches of such member bank other than those at which the depositors' accounts are carried, and that sufficient time has not elapsed for the items to have reached the latter offices or branches and be charged to the depositors' accounts, and (2) checks drawn on another bank which have been deposited in a member bank (or offices or branches of such member bank) and have been forwarded for collection to other offices or branches of the member bank located in the same city or vicinity as the drawee bank.

It is the view of the Board that items of the type described above constitute "cash items in process of collection" within the meaning of paragraph (g) of section 1 of Regulation D and, accordingly, to the extent that the "branch clearing" account consists of such items, the balance in the account may be deducted from gross demand deposits in determining required reserve balances and should be included in item 2 of Schedule I in call reports.

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,  
Assistant Secretary.