



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

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S-48
Reg. D-7

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 19, 1937.

Dear Sir:

For your information there is inclosed a copy of a letter written to the Federal Reserve Bank of Chicago under date of November 19, 1937, with respect to the waiving of penalty on deficiencies in reserves of member banks.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

Inclosure.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

November 19, 1937.

Mr. G. J. Schaller, President
Federal Reserve Bank of Chicago
Chicago, Illinois

Dear Mr. Schaller:

Reference is made to your letter of October 27 in regard to the waiving of penalties for deficiencies in reserves of member banks.

The Board appreciates that there may be exceptional circumstances when it would be desirable to disregard the reserve computation period in which a bank becomes a member of the System insofar as the assessment of a penalty for a deficiency in reserves is concerned and also to waive the assessment of a penalty for the first deficiency in reserves occurring subsequent to such reserve computation period, and accordingly modifies paragraph (b) of its letter X-7411 of April 14, 1933, to read as follows:

"(b) When a member bank is deficient in its reserves during the reserve computation period within which it became a member, a penalty for such deficiency may be assessed or not, in the discretion of the Federal Reserve bank. When, for the first time subsequent to the reserve computation period within which a bank became a member, there is a deficiency in its reserves, which is subject to a penalty, such penalty may be assessed or not as the Federal Reserve bank may determine upon consideration of the circumstances of the case."

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.