

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

Statement for the Press

For release in morning newspapers of  
Wednesday, September 24, 1941.

September 23, 1941.

As a further step in the Government's program for combating inflation, the Board of Governors of the Federal Reserve System, after consultation with the Secretary of the Treasury, has today increased reserve requirements for member banks to the present statutory limit, effective November 1. This action, unanimously agreed upon, increases reserve requirements by about one-seventh.

The requirements beginning on that date will be: for demand deposits, 26 per cent at central reserve city banks, 20 per cent at reserve city banks, and 14 per cent at country banks; for time deposits, 6 per cent at all classes of member banks. This action will result in a reduction of excess reserves from about \$5.2 billion to about \$4 billion for member banks taken as a whole. At central reserve city banks excess reserves will be reduced approximately from \$2,400,000,000 to \$1,700,000,000; at reserve city banks, from \$1,850,000,000 to \$1,500,000,000, and at country banks from nearly \$1,000,000,000 to \$800,000,000.

The action will leave the banks as a whole with ample funds to meet all bank credit needs of the defense program and all legitimate requirements of their customers. A survey made recently by the Board showed that a large majority of the member banks will be able to meet the increased requirements out of existing excess reserves and all but a few of

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the remainder by drawing upon a portion of their deposits with city correspondents.

The Board determined that penalties for deficient reserves prior to December 1, 1941 shall be based upon reserve requirements in effect October 31, 1941.

The following table compares the new requirements with present requirements which have been in effect since April 16, 1938.

Member Bank Reserve Requirements  
(Per cent of deposits)

Classes of deposits and banks	: Present : requirements	: New : requirements
On net demand deposits:		
Central reserve city banks .....	22 $\frac{3}{4}$	26
Reserve city banks .....	17 $\frac{1}{2}$	20
"Country" banks .....	12	14
On time deposits:		
All member banks .....	5	6