

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-963

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 21, 1942



Dear Sir:

Pursuant to the Board's telegram of this date there is set forth below the text of a resolution which has been adopted by the Board amending its Regulation D:

"RESOLVED, That Regulation D, Reserves of Member Banks, is hereby amended in the following respects, effective with the reserve computation period beginning February 28, 1942:

"1. Subsection (a) of section 3 of Regulation D is amended to read as follows:

"(a) Computation of deficiencies.

"(1) Deficiencies in reserve balances of member banks in central reserve cities and in reserve cities shall be computed on the basis of average daily net deposit balances covering weekly periods. Deficiencies in reserve balances of other member banks shall be computed on the basis of average daily net deposit balances covering semi-monthly periods.⁸

"(2) In computing such deficiencies the required reserve balance of each member bank at the close of business each day shall be based upon its net deposit balances at the opening of business on the same day; and the weekly and semimonthly periods referred to in paragraph (1) hereof

'8/ Deficiencies in reserve balances of member banks in outlying sections of central reserve and reserve cities which have been authorized by the Board of Governors of the Federal Reserve System, under the provisions of subsection (a) of section 2 of this regulation, to maintain seven per cent reserves against demand deposits, will also be computed on the basis of average daily net deposit balances covering semimonthly periods.'

FOR VICTORY



BUY
UNITED
STATES
WAR
BONDS
AND
STAMPS

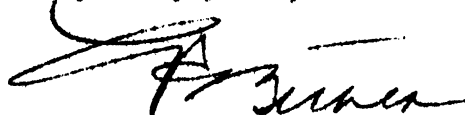
shall end at the close of business on days to be fixed by the Federal Reserve banks with the approval of the Board of Governors of the Federal Reserve System.'

"2. Section 4 of Regulation D is amended to read as follows:

"SECTION 4. LOANS AND DIVIDENDS WHILE RESERVES ARE DEFICIENT

"It is unlawful for any member bank the reserves of which are deficient to make any new loans or pay any dividends unless and until the total reserves required by law are fully restored, and the payment of penalties for deficiencies in reserves does not exempt member banks from this prohibition of law. As provided in section 3 of this regulation, penalties for deficiencies in reserves are computed on the basis of the average reserve balances for weekly or semimonthly periods; but this prohibition of law applies whenever the reserves are deficient for one day or more, regardless of whether or not the average reserve balances for the weekly or semimonthly period are deficient."

Very truly yours,



L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS