

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 23, 1942.

Dear Sir:

There have been forwarded to you today under separate cover the indicated number of copies of the following forms, a copy of each of which is attached hereto, for the use of State bank members and their affiliates in submitting reports as of the next call date:

Number of
copies

- Form F. R. 105 (Call 91), Report of condition of State bank member.
- Form F. R. 105b (Revised August 1939), Loans and advances to affiliates and investments in and loans secured by obligations of affiliates.
- Form F. R. 105e (Call 91), Publisher's copy of report of condition of State bank member.
- Form F. R. 105-i (Schedule A.1, Revised June 1942), Personal loans and retail instalment paper.
- Form F. R. 220 (Revised August 1935), Report of affiliate or holding company affiliate.
- Form F. R. 220a (Revised December 1938), Publisher's copy of report of affiliate or holding company affiliate.
- Form F. R. 220b (Revised February 1938), Instructions for preparation of reports of affiliates and holding company affiliates.

There have also been forwarded to you copies of instructions (S-514a) regarding the reporting of reciprocal interbank balances in call reports, and copies of corresponding instructions (S-514b) pertaining to weekly condition reports.




Schedule A.1, "Personal loans and retail instalment paper", has been amended by adding a new item, "Personal single-payment loans". In addition the definition of repair and modernization instalment loans has been revised to make it clear that the amounts included in both subitems should represent the unpaid balances of instalment loans to finance alterations and improvements to existing completed properties.

Form F. R. 105 has been changed in two respects: in Schedule B provision has been made for reporting separately the amounts of Treasury certificates of indebtedness and United States savings bonds; in Schedules D and E provision has been made for reporting in parentheses the gross amounts of reciprocal interbank demand balances with banks in the United States, except private banks and American branches of foreign banks. The reciprocal portions of such balances are required to be excluded hereafter from the amounts of interbank balances reported against item 2 of Schedule D and item 4 of Schedule E. The parenthetical items in Schedules D and E will show the amount of reciprocal balances carried on the call date. The banks' special attention should be called to the enclosed instructions pertaining to the reporting of reciprocal bank balances in call reports. The letter sending out blank forms and instructions for the next call should be so mailed as to reach the banks on or after July 1. It is understood that the Comptroller's office will follow the same schedule in mailing call report forms to national banks.

Weekly condition reports of member banks in leading cities, Form F. R. 416, should also show reciprocal interbank demand balances net beginning with the report as of Wednesday, July 8. We should like to know, however, the extent to which such banks have been reporting reciprocal balances gross and, accordingly, they should be requested to show, in their weekly reports for July 8, the amount of reciprocal demand balances included in both "due from" and "due to" in the preceding weekly report. For this purpose it is suggested that each weekly reporting bank be given a copy of the enclosed instructions pertaining to weekly reports. These instructions should not, however, be sent to the weekly reporting banks until July 1. The amount of the memorandum item reported should be shown in the summary and transcript of weekly condition reports as of July 8 that you send to the Board.

Very truly yours,



L. P. Bethea,
Assistant Secretary.

Enclosures 9

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS
(Enclosures with addressed copies only)

June 23, 1942

INSTRUCTIONS REGARDING THE REPORTING OF RECIPROCAL INTERBANK BALANCES
IN CALL REPORTS OF CONDITION

Beginning with the current call, reciprocal interbank demand deposits with banks in the United States, except private banks and American branches of foreign banks, should be reported net, instead of gross as required heretofore; and the general instructions for the preparation of reports of condition contained in Form F.R. 105a pertaining to item 2 in Schedule D and item 4 in Schedule E are modified accordingly. Reciprocal interbank deposits arise when two banks maintain deposit accounts with each other, i.e., each bank has both a "due from" and a "due to" account with the other bank.

In determining the net amount due from or due to each other bank with which reciprocal deposits are maintained, all demand deposit accounts with each such bank should be combined except (1) accounts that do not include any collected funds but merely represent cash items in process of collection, and (2) balances standing to the credit of a bank's trust department. The reciprocal amount should then be subtracted from "due from" and "due to"; and the amount thus subtracted should be shown in the parenthetical space provided for the purpose following item 2 in Schedule D and item 4 in Schedule E. In other words, the balance due from a bank should be subtracted from both assets and liabilities if it is less than the balance due to the same bank; and vice versa.

Following is an illustration of reciprocal interbank demand accounts: Bank A has a demand deposit of \$1,000,000 with Bank B, and Bank B has a demand deposit of \$200,000 with Bank A. On a "net" basis, as now required, Bank A will report only \$800,000 as due from Bank B and nothing as due to Bank B; conversely, Bank B will report only \$800,000 as due to Bank A and nothing as due from Bank A. In addition, both banks will show \$200,000 in the parenthetical spaces provided for the purpose following the captions of item 2 in Schedule D and item 4 in Schedule E.

June 23, 1942

INSTRUCTIONS REGARDING REPORTING OF RECIPROCAL INTERBANK BALANCES IN
WEEKLY CONDITION REPORTS

As you have been advised in connection with the current call for condition reports, reciprocal interbank demand deposits with banks in the United States, except private banks and American branches of foreign banks, are to be reported net in call reports of condition, instead of gross as heretofore. The same procedure is to be followed in preparing weekly condition reports, Form F. R. 416, beginning with reports rendered as of Wednesday, July 8, 1942. Reciprocal interbank deposits arise when two banks maintain deposit accounts with each other, i.e., each bank has both a "due from" and a "due to" account with the other bank.

In determining the net amount due from or due to each other bank with which reciprocal deposits are maintained, all demand deposit accounts with each such bank should be combined except (1) accounts that do not include any collected funds but merely represent cash items in process of collection, and (2) balances standing to the credit of a bank's trust department. The reciprocal amount should then be subtracted from "due from" and "due to" items 3-b and 5-d, respectively, in the weekly condition report. In other words, the balance due from a bank should be subtracted from both assets and liabilities if it is less than the balance due to the same bank; and vice versa.

Following is an illustration of reciprocal interbank demand accounts: Bank A has a demand deposit of \$1,000,000 with Bank B, and Bank B has a demand deposit of \$200,000 with Bank A. On a "net" basis, as now required, Bank A will report only \$800,000 as due from Bank B and nothing as due to Bank B; conversely, Bank B will report only \$800,000 as due to Bank A and nothing as due from Bank A.

In order to provide statistics showing the effect of the new requirements (that reciprocal bank balances be reported net, instead of gross as heretofore) you are requested to report the amount of the reciprocal portions of demand balances which, on July 1, were included in both "due from" and "due to". These figures should be reported by inserting the following memorandum item at the end of your July 8 report:

"Reciprocal portions of demand balances with banks in the United States, except private banks and American branches of foreign banks, included in both "due from" and "due to", in the report rendered as of July 1, 1942 _____"