

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 80-195

October 14, 1980

QUESTIONS AND ANSWERS ON THE MONETARY CONTROL ACT

TO ALL DEPOSITORY INSTITUTIONS
AND OTHERS CONCERNED IN THE
ELEVENTH FEDERAL RESERVE DISTRICT:

The following questions and answers on implementation of the Monetary Control Act are the first in a series of such questions and answers. We will follow this general format, with the questions numbered sequentially, in subsequent circulars. These questions are intended to deal with interpretation of the regulation or of reporting instructions and procedures to be followed in the implementation of the Monetary Control Act.

QUESTION 1: What is the definition of total deposits to be used to determine whether quarterly reporters have exceeded \$5 million?

ANSWER: Gross deposits, the sum of items 7, 12, and 15 on the FR 2900 will be used to determine the continuing eligibility of quarterly reporters.

QUESTION 2: For de novo institutions, how will the amount of total deposits be determined for purposes of quarterly reporting?

ANSWER: All de novo nonmember institutions organized after December 31, 1979, will be considered to be under \$5 million in total deposits and therefore eligible for deferred quarterly reporting. All such institutions will be required to report in January 1981, along with all quarterly reporters. In order that those de novo institutions whose total deposits are less than \$1 million would not have to complete the entire deposits report for a week, we will try to work out an alternate reporting scheme for those institutions. Those de novo nonmember institutions that have less than \$1 million in daily average gross deposits at that time will have reporting and reserve requirements deferred until May 1981. Other de novo nonmember institutions will continue to report quarterly until such time as daily average gross deposits exceed \$5 million for two consecutive quarterly reporting periods, at which time they would become weekly reporters.

De novo member banks organized after December 31, 1979 and before September 1, 1980 should already be reporting weekly on the report of deposits and will continue reporting weekly until January 1981. De novo member banks organized between September 1, 1980 and October 30, 1980 will begin reporting weekly as of October 30, 1980 and continue reporting weekly until January 1981. De novo member banks organized after October 30, 1980 will begin reporting weekly as of the date of organization and will continue reporting weekly until January 1981. Those de novo member banks that have daily average gross deposits of less than \$5 million as of the first reporting period in January 1980 may begin reporting quarterly at that time; those that have daily average gross deposits of \$5 million or more must continue to report weekly.

QUESTION 3: How are time deposits ratios for old reserve requirements to be calculated for member banks (and former member banks) that are involved in mergers subsequent to August 6, 1980?

ANSWER: The time deposit ratios for a combination of member banks (or former member banks) will be calculated as a weighted average of the individual ratios. The weights are to be based on the daily average amount of time deposits for each of the institutions involved over the two week period July 24-August 6, 1980 (or the first two-week reporting period for any former member bank that was not reporting during the July 24-August 6 period).

For example, suppose that two member banks that had total time deposits of \$15 million and \$35 million and ratios of .0325 and .0340, respectively, merge subsequent to August 6, 1980. The required reserve ratio on time deposits for the merged bank would be $(0.0325 \times (15/50)) + (0.0340 \times (35/50)) = 0.03355$.

QUESTION 4: Are corporate central credit unions "exempt" entities?

ANSWER: Yes. All credit unions, including corporate centrals, are "exempt" entities regardless of whether or not they are required to hold reserves with the Federal Reserve. Thus, borrowings by depository institutions from corporate central credit unions are not subject to reserve requirements.

QUESTION 5: Are the trust deposits of pension plans, profit-sharing plans, or other similar plans classified as personal or nonpersonal time deposits?

ANSWER: The classification of such deposits as personal or nonpersonal depends on the terms of the specific plan underlying the deposit. Such deposits shall be classified as personal only if they are nontransferable and if the entire beneficial interest is held by natural persons. If any beneficial interest is held by other than a natural person, no matter how small the beneficial interest held, the entire deposit shall be classified as nonpersonal.

QUESTION 6: Are demand balances held by a depository institution with the Federal Home Loan Banks or with the NCUA Central Liquidity Facility to be reported in item 8, demand balances due from depository institutions, on the FR 2900?

ANSWER: No. Such balances are not eligible for the "due from" deduction since neither the Federal Home Loan Banks nor the NCUA Central Liquidity Facility will hold required reserves on such balances.

Sincerely yours,

Ernest T. Baughman

President