

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 80-216
November 10, 1980

RESERVE MAINTENANCE - ESTABLISHMENT OF
RESERVE ACCOUNTS FOR RESERVE MAINTENANCE PURPOSES

TO THE CHIEF EXECUTIVE OFFICER OF ALL
AFFECTED DEPOSITORY INSTITUTIONS IN THE
ELEVENTH FEDERAL RESERVE DISTRICT:

This circular is a reminder that a Prestatement will be prepared and transmitted throughout this District on Wednesday, November 12, 1980, which will advise all depository institutions of any reserve liability to be maintained for the reserve maintenance period November 13-19, 1980. If your institution does not receive timely notification of reserve liability and it is not able to determine its reserve liability, if any, utilizing the computation worksheets provided in the "Manual for Reserve Computation and Reserve Maintenance", then you are encouraged to inquire with the appropriate office serving your institution accordingly.

A reserve account will automatically be established for any nonmember depository institution (commercial bank, savings and loan, and credit union) on Thursday, November 13, 1980 which has not arranged with us for reserve maintenance with a pass-through correspondent. In other words, there are no forms or agreements to be signed at this time in order to establish a reserve account.

Because of the phase-in of reserve requirements over an eight-year period, most nonmember institutions will be able to meet their reserve requirements with vault cash and will not be immediately concerned about maintaining a reserve balance at the Federal Reserve. Therefore, nonmember institutions should not confuse the establishment of a reserve account with this Bank as an indication that reserves are to be maintained in that account effective immediately. On the contrary, it should be noted that the establishment of a reserve account for this Bank is simply a procedural matter and does not intend to imply that there is a related reserve requirement to be maintained in that account beginning November 13, 1980. For nonmember depository institutions, it is stressed that a reserve account is limited to actual reserve-related activity at this time. Therefore, most nonmember institutions which do not have a reserve requirement at this time will maintain a zero-balance reserve account. For those nonmember institutions which have a minimal reserve requirement, it is expected that such institutions will maintain a corresponding minimal and/or relatively sterile reserve account balance.

For those institutions having to maintain a reserve requirement, it is expected that inflows and outflows to the reserve account will only be via transfers of funds. Until such time that pricing for transfers of funds is in effect, transfers of funds in to and out of the reserve account will be limited to one incoming transfer and one outgoing transfer per day. No third party transfers are allowed at this time. Nonmember depository institutions maintaining a direct reserve account may have funds transferred direct to their reserve account at the Eleventh District office where their account is maintained. Such institutions may likewise transfer funds out of their reserve account (subject to the one transfer per day and no third party transfer limitation) by contacting the appropriate office's Transfers of Funds Division. A call-back procedure will be utilized for the minimal numbers of transfers of funds which are currently anticipated.

It is reiterated that only nonmember depository institutions with a bona fide reserve requirement to be maintained direct with this Bank and its branches should anticipate any daily activity in its reserve account at the current time.

A revised Bulletin 4, Reserves of Depository Institutions, will be issued in the near future outlining the various provisions in utilizing the reserve account.

Questions regarding this circular may be directed to Richard D. Ingram, Assistant Vice President, Ext. 6333, or the officer in charge of the Accounting Department at the El Paso, Houston, or San Antonio Branches.

Sincerely yours,

Robert H. Boykin

First Vice President