QUESTIONS RELATING TO THE ALLOCATION 
OF THE LOW RESERVE TRANCHE

TO ALL U.S. BRANCHES AND AGENCIES OF 
FOREIGN BANKS AND EDGE ACT AND 
AGREEMENT CORPORATIONS IN THE 
ELEVENTH FEDERAL RESERVE DISTRICT:

The following questions and answers relate to the allocation of the low reserve tranche by U.S. Branches and Agencies of Foreign Banks and by Edge Act and Agreement Corporations.

QUESTION: Can the first of the annual changes in allocation of the $25 million low reserve tranche on transaction accounts for branches and agencies of a single foreign bank or for office of an edge or agreement corporation be made at the beginning of the 1981 calendar year?

ANSWER: Yes, the allocation can be changed effective January 1, the first Thursday in January 1981.

QUESTION: If an office (or group of offices filing a single aggregated report of deposits) now has net transaction accounts in excess of $25 million but it is anticipated that this amount will drop below $25 million during some reserve computation periods, is it necessary to allocate the entire low reserve tranche to this office?

ANSWER: No. In such a case, the initial allocation of the tranche should take into account the anticipated minimum amount of net transaction accounts at each office during the year in order to avoid losing any portion of the low reserve tranche.

QUESTION: If the low reserve tranche is not being fully utilized by a foreign bank or an edge or agreement corporation during each reserve computation period or is otherwise having an adverse impact on operations, can the allocation of the tranche be changed?

ANSWER: Yes. In such a case, a foreign bank or edge or agreement corporation may change its tranche allocation effective the reserve computation period beginning the first Thursday of any month. A request for a change in allocation must be filed (on a form that will be available from reserve banks) at least one week prior to the beginning of any such reserve computation period. The form should be filed with Reserve Banks in all districts in which the foreign bank or edge agreement corporation operates.

Sincerely yours,

Ernest T. Baughman

President