

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 81-6
January 9, 1981

AMENDMENT TO REGULATION D
(SMALL DEPOSITORY INSTITUTION REPORTING)

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

There is enclosed the text of a press release and Federal Register document issued on December 24, 1980 by the Board of Governors announcing two actions to facilitate compliance by small depository institutions which are permitted to report and maintain required reserves on a quarterly basis. As you know, depositories with total deposits between \$2 million and \$15 million may report their deposits weekly, beginning January 15, 1981.

One of the actions announced today gives nonmember institutions a once-only eight-week lag between the end of their first reserve computation period (January 15-21) and the date on which reserves must be maintained (March 19).

In addition, in order to provide additional flexibility for smaller depository institutions, beginning with the first (March) staggered deposit report, the Board's new procedure for quarterly reporters provides a lag of 22 days -- instead of the eight-day lag for weekly reporters -- between the end of the reserve computation period and the start of the reserve maintenance period. This applies to both member and nonmember institutions. It will continue in effect for subsequent quarterly reports.

A copy of the amendment to Regulation D is provided for insertion in the regulations binder furnished by this Bank.

Questions regarding this revision should be directed to Stephen Welch at this Bank, 698-2405, or the manager of the Accounting Department at our El Paso, Houston, or San Antonio Branches.

Sincerely yours,

William H. Wallace

First Vice President

Enclosures

Banks and others are encouraged to use the following incoming WATS numbers in contacting this Bank: 1-800-442-7140 (intrastate) and 1-800-527-9200 (interstate). For calls placed locally, please use 651 plus the extension referred to above.

FEDERAL RESERVE press release



For immediate release

December 24, 1980

The Federal Reserve Board has taken two actions to facilitate compliance by small depository institutions which are permitted to report and maintain required reserves on a quarterly basis.^{1/}

The actions announced today give non-member institutions a once-only eight-week lag between the end of their first reserve computation period (January 15-21) and the date on which reserves must be maintained (March 19).

This will alter the staggered reserve computation and maintenance schedule that was established as part of the quarterly reporting procedure. Under the procedure quarterly reporters are divided into three groups which report and maintain reserves a month apart. The February deposit report will be eliminated, and staggered reporting will begin in March instead of February (see the attached table for the resulting staggered reporting schedules for members and non-members).

In addition, in order to provide additional flexibility for smaller depository institutions, beginning with the first (March) staggered deposit report, the Board's new procedure for quarterly reporters provides a lag of 22 days -- instead of the eight-day lag for weekly reporters -- between the end of the reserve computation period and the start of the reserve maintenance period. This applies to both member and non-member institutions. It will continue in effect for subsequent quarterly reports.

The new arrangements are described fully in the attached Federal Register notice.

Attachments

^{1/} Depositories with total deposits between \$2 million and \$15 million may report their deposits and maintain required reserves quarterly rather than weekly, beginning January 15, 1981. The simplified procedure affects some 10,000 commercial banks, savings and loan institutions, mutual savings banks and credit unions. The Monetary Control Act of 1980, which became law March 31, requires all depository institutions to maintain Federal reserves on their transaction and nonpersonal time accounts. (Reserve requirements for depository institutions with total deposits under \$2 million as of December 31, 1979 have been deferred until May 1981.)

1981 Reporting and Reserve Maintenance Schedules
Member and Nonmember Quarterly
Respondents

	Group A Reporters ^{1/}	Group B Reporters ^{1/}	Group C Reporters ^{1/}
Computation period -- universe	-----January 15-21-----		
Maintenance periods:			
Nonmembers	Mar. 19--May 13	Mar. 19--June 17	Mar. 19--Apr. 15
Member banks	Jan. 29--May 13	Jan. 29--June 17	Jan. 29--Apr. 15
Computation period--1st qtr. ^{2/}	XXXXXXXXXXXXXXXXXX	XXXXXXXXXXXXXXXXXX	March 19 - 25
Maintenance period	XXXXXXXXXXXXXXXXXX	XXXXXXXXXXXXXXXXXX	Apr. 16 - July 15
Computation period--2nd qtr.	April 16 - 22	May 21 - 27	June 18 - 24
Maintenance period	May 14 - Aug. 12	June 18 - Sept. 16	July 16 - Oct. 14
Computation period--3rd qtr.	July 16 - 22	Aug. 20 - 26	Sept. 17 - 23
Maintenance period	Aug. 13 - Nov. 11	Sept. 17 - Dec. 16	Oct. 15 - Jan. 13
Computation period--4th qtr.	Oct. 15 - 21	Nov. 19 - 25	Dec. 17 - 23
Maintenance period	Nov. 12 - Feb. 17	Dec. 17 - Mar. 17	Jan. 14 - Apr. 14

^{1/} Under the staggered reporting cycle, Group-A reporters report during the first month of each calendar quarter (i.e., January, April, July, and October); Group-B reporters report during the second month of each calendar quarter (i.e., February, May, August, and November); and Group-C reporters report during the third month of each calendar (i.e., March, June, September, and December).

^{2/} Group-A and Group-B reporters report only once during the first quarter of 1981--as of the January 15-21 universe period. Their staggered cycle begins during the second quarter of 1981--with reporting during April for Group-A reporters and during May for Group-B reporters. Group C reporters, however, report twice during the first quarter--as of the January 15-21 universe period and again during March 1981, at which time their staggered cycle begins.

NOTE: Until the quarterly procedures have been implemented, member banks with total deposits of less than \$15 million will continue to report and maintain reserves on a weekly basis. These member banks will submit their last deposits report under the weekly procedures as of January 8 - 14 and will maintain reserves on these deposits during the week January 22-28.

TITLE 12--BANKS AND BANKING

CHAPTER II--FEDERAL RESERVE SYSTEM

**SUBCHAPTER A--BOARD OF GOVERNORS OF THE FEDERAL
RESERVE SYSTEM**

[Regulation D]

(Docket No. R-0337)

Part 204--RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS

Quarterly Deposit Reporting and Reserve Maintenance

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final rule.

SUMMARY: The Board of Governors has amended Regulation D--Reserve Requirements of Depository Institutions (12 CFR Part 204) to extend the lag between the last day of the reserve computation period and the first day of the corresponding reserve maintenance period from eight to 22 days for depository institutions subject to the quarterly procedure for filing deposit data used to compute required reserves. In addition, for nonmember depository institutions, the beginning of the reserve maintenance period associated with the first quarterly reserve computation period is being deferred from January 29, 1981, until March 19, 1981. These actions will facilitate the implementation of the quarterly reporting and reserve maintenance procedures by relieving operational burden for depository institutions and for Federal Reserve Banks.

EFFECTIVE DATE: January 15, 1981.

FOR FURTHER INFORMATION CONTACT: Martha Bethea, Assistant Director (202/452-3181), or William R. Jones, Section Chief (202/452-3822), Division of Research and Statistics; Gilbert T. Schwartz, Assistant General Counsel (202/452-3625), or Paul S. Pilecki, Attorney (202/452-3281), Legal Division, Board of Governors of the Federal Reserve System, Washington, D. C. 20551.

SUPPLEMENTARY INFORMATION: The Board of Governors has amended its Regulation D--Reserve Requirements of Depository Institutions (12 CFR Part 204) to revise the procedure for the filing of quarterly reports applicable to depository institutions that have less than \$15 million in total deposits.^{1/} Under the amendment, the lag between the last

^{1/} The Board has deferred reserve requirements of nonmember depository institutions that have less than \$2 million in total deposits as of December 31, 1979, until May 1981. At that time, the Board will determine whether a further deferral is warranted.

day of the seven-day deposit reporting period ("computation period") and the first day of the period during which reserves are required to be held ("reserve maintenance period") is extended from eight to 22 days for all depository institutions subject to the quarterly reporting procedure. In addition, for the first quarterly report by nonmember depository institutions in January 1981, the beginning of the corresponding reserve maintenance period has been deferred from January 29, 1981 until March 19, 1981.

Under Regulation D, a depository institution with total deposits of less than \$15 million as of December 31, 1979, is eligible for a quarterly procedure of reporting its deposits and maintaining required reserves. This procedure is intended to reduce the reporting and reserve management burden of smaller depository institutions and to reduce the reserve requirement processing burden of the Reserve Banks. (Edge and Agreement Corporations and U. S. branches and agencies of foreign banks, however, are not eligible for quarterly reporting and reserve maintenance.) Institutions eligible for the quarterly reporting and maintenance procedure complete and file the Report of Transaction Accounts, Other Deposits and Vault Cash (FR 2900) with the Federal Reserve only once during each calendar quarter and maintain required reserves over a subsequent three-month period based on the report filed. The period during which reserves will be maintained has been revised under the Board's action so that the reserve maintenance period will begin on the fourth Thursday after the close of the reserve computation period and will end on the third Wednesday after the end of the reporting institution's next reserve computation period. Reserve balances to be held at the Federal Reserve over the three-month maintenance period, either directly or indirectly on a pass-through basis, will equal required reserves as computed based on the deposit report for the computation period less daily average vault cash held during the computation period. An institution is required to maintain reserve balances at its required level on a daily average basis for each week during the quarterly reserve maintenance period. The Board believes that this revised procedure will facilitate reporting and reserve management for smaller institutions.

In order to facilitate further the implementation of the quarterly reporting procedure, the Board has determined to defer the beginning of the first quarterly reserve maintenance period for nonmember depository institutions until March 19, 1981. The Board believes that this one-time deferral is appropriate to provide an additional period of adjustment because of the large volume of reports that will be collected for the first quarterly computation period.

After the first reporting period in January 1981, quarterly reporting will be staggered so that each month one-third of all quarterly reporters will report data for a seven-day period. Since the maintenance period for the January report will not begin until March, the staggered reporting cycle will commence during that month.

The one-time deferral of the reserve maintenance period will not apply to member banks. As currently scheduled, a member bank subject to quarterly reserve reporting will, beginning January 29, 1981, maintain reserves based on deposits and vault cash held during the January 15-21, 1981, reserve computation period. This requirement will be fixed until the beginning of the member bank's next maintenance period which will begin 22 days after the close of its next reserve computation period. All member banks will continue to report reserve requirement data on a weekly basis through the reserve computation period ending on January 21, 1981. The increase in the lag between the end of the computation period and the start of the reserve maintenance period will not apply to a member bank until its first reserve computation period after January 1981. Staggered quarterly reporting by member banks that have less than \$15 million in total deposits will begin in March 1981.

The Board believes that these modifications will be more equitable to depository institutions and also will help to minimize the burden associated with maintaining required reserves. In order to provide sufficient time for depository institutions to prepare for these changes, and because the amendment relaxes a regulatory restriction, the Board, for good cause finds that the notice, public procedure, and deferral of effective date provisions of 5 U.S.C. § 553(b) with regard to this action are impracticable and contrary to the public interest.

Effective January 15, 1981, pursuant to the Board's authority under section 19 of the Federal Reserve Act (12 U.S.C. § 461 set seq.), Regulation D (12 CFR Part 204) is amended by revising subparagraph (2) of section 204.3(d) to read as follows:

SECTION 204.3--COMPUTATION AND MAINTENANCE

* * * * *

(d) Special rule for depository institutions that have total deposits of less than \$15 million.

* * * * *

(2) Required reserves are computed on the basis of the depository institution's daily average deposit balances during the seven-day computation period. In determining the reserve balance that a depository institution is required to maintain with the Federal Reserve, the average daily vault cash held during the computation period is deducted from the amount of the institution's required reserves. The reserve balance that is required to be maintained with the Federal Reserve shall be maintained during a corresponding period that begins

on the fourth Thursday following the end of the institution's computation period and ends on the third Wednesday after the close of the institution's next computation period. Such reserve balance shall be maintained in the amount required on a daily average basis during each week of the quarterly reserve maintenance period.

* * * * *

By order of the Board of Governors, December 24, 1980.

(signed) Theodore E. Allison

Theodore E. Allison
Secretary of the Board

[SEAL]

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS

AMENDMENTS TO REGULATION D †

As amended effective January 15, 1981

Effective November 13, 1980, sections 204.2, 204.3, and 204.4 are amended as follows:

1. In section 204.2, paragraph (h)(1) is revised to read as follows:

SECTION 204.2—DEFINITIONS

* * * * *

(h) "Eurocurrency liabilities" means the sum of the following:

(1) *Transactions with related offices outside the United States.*

(i) * * *

(A) * * *

(B) assets (including participations) held by its non-United States offices or by non-United States offices of an affiliated Edge or Agreement Corporation that were acquired after October 6, 1979, from its United States offices.

(ii) * * *

(A) * * *

(B) assets (including participations) held by its foreign bank (including offices thereof located outside the United States), by its parent holding company, or by non-United States offices of an affiliated Edge or Agreement Corporation that were acquired after October 6, 1979, from the United States branch or agency (other than assets required to be sold by Federal or State supervisory authorities).

* * * * *

2. In section 204.3, paragraph (d) is revised to read as follows:

SECTION 204.3—COMPUTATION AND MAINTENANCE

* * * * *

(d) **Special rule for depository institutions that have total deposits of less than \$15 million.**

(1) A depository institution with total deposits of less than \$15 million shall file a report of deposits once each calendar quarter for a seven-day computation period that begins on the third Thursday of a given month during the calendar quarter. Each Reserve Bank shall divide the depository institutions in its District that qualify under this paragraph into three substantially equal groups and assign each group a different month to report during each calendar quarter.

(2) * * *

(3) A depository institution that has less than \$15 million in total deposits as of December 31, 1979, shall qualify under this paragraph until it reports total deposits of \$15 million or more for two consecutive calendar quarters.

* * * * *

3. In section 204.4, paragraph (g) is revised to read as follows:

SECTION 204.4—TRANSITIONAL ADJUSTMENTS

* * * * *

(g) **Mergers and consolidations.** The following rules concerning transitional adjustments apply to mergers and consolidations of depository institutions.

(1) Where all depository institutions involved in a merger or consolidation are subject to the same paragraph of the transitional adjustment rules contained in paragraphs (a) through (f) of this section during the reserve computation period immediately preceding the merger, the surviving institution shall continue to compute its transitional adjustment of required reserves under such applicable paragraph,

† For this Regulation to be complete retain:

1) Printed Regulation pamphlet dated December 11, 1980.

2) Supplement slip sheet dated August 1980.

3) This slip sheet. (Destroy slip sheet dated December 1980.)

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except that the amount of reserves which shall be maintained shall be reduced by an amount determined by multiplying the amount by which the required reserves during the computation period immediately preceding the date of the merger (computed as if the depository institutions had merged) exceeds the sum of the actual required reserves of each depository institution during the same computation period, times the appropriate percentage as specified in the following schedule:

<i>Maintenance periods occurring during quarterly periods following merger</i>	<i>Percentage applied to difference to compute amount to be subtracted</i>
1	87.5
2	75.0
3	62.5
4	50.0
5	37.5
6	25.0
7	12.5
8 and succeeding	0

(2) (i) Where the depository institutions involved in a merger or consolidation are not subject to the same paragraph of the transitional adjustment rules contained in paragraphs (a) through (f) of this section and such merger or consolidation occurs

(A) on or after July 1, 1979, between a nonmember bank and a bank that was a member bank on or after July 1, 1979, and the survivor is a nonmember bank;

(B) on or after March 31, 1980, between a member bank and a nonmember bank and the survivor is a member bank; or

(C) on or after September 1, 1980, between any other depository institutions the required reserves of the surviving institution shall be computed by allocating its deposits, Eurocurrency liabilities, other reservable claims, balances due from other depository institutions and cash items in process of collection to each depository institution involved in the merger transaction and applying to such amounts the transitional adjustment rule of paragraphs (a) through (f) of this section to which each such depository institution was subject during the reserve computation period immediately prior to the merger or consolidation.

(ii) The deposits of the surviving institution shall be allocated according to the ratio that daily average total required reserves of each depository institution involved in the merger were to the sum

of daily average total required reserves of all institutions involved in the merger or consolidation during the reserve computation period immediately preceding the date of the merger.

(A) If the merger occurs before November 6, 1980, such ratio of daily average total required reserves shall be computed using the reserve requirement ratios in section 204.8(b).

(B) If the merger occurs on or after November 6, 1980, such ratio of daily average total required reserves shall be computed using the reserve requirement ratios in section 204.8(a) without regard to the transitional adjustments of this section.

(iii) The low reserve tranche on transaction accounts (section 204.8(a)) shall be allocated to each institution involved in the merger or consolidation using the ratio computed in subparagraph (2)(ii) and the reserve requirement tranches on demand deposits (section 204.8(b)) shall be allocated to member bank deposits using such ratio of daily average total required reserves.

(iv) The vault cash of the surviving depository institution also will be allocated to each institution involved in the merger or consolidation according to the ratio that daily average vault cash of each depository institution involved in the merger was to the sum of daily average vault cash of all institutions involved in the merger or consolidation during the reserve computation period immediately preceding the date of the merger.

(v) The amount of reserves which shall be maintained shall be reduced by an amount determined by multiplying the amount by which the required reserves during the computation period immediately preceding the date of the merger (computed as if the depository institutions had merged) exceeds the sum of the actual required reserves of each depository institution during the same computation period, times the appropriate percentage as specified in the following schedule:

<i>Maintenance periods occurring during quarterly periods following merger</i>	<i>Percentage applied to difference to compute amount to be subtracted</i>
1	87.5
2	75.0
3	62.5
4	50.0
5	37.5
6	25.0
7	12.5
8 and succeeding	0

Effective December 1, 1980 sections 204.2, 204.3, 204.4 and 204.6 are amended as follows:

1. In section 204.2(e)(6), the second sentence is amended to read as set forth below:

SECTION 204.2—DEFINITIONS

* * * * *

(e) "Transaction account" * * *

* * * * *

(6) * * * An account that permits or authorizes more than three such withdrawals in a calendar month, or statement cycle (or similar period) of at least four weeks, is a "transaction account" whether or not more than three such withdrawals actually are made during such period. * * *

* * * * *

2. In section 204.2(b)(1)(vii), by inserting the word "which" after the words "withdrawal period has expired and" and before the words "have not been renewed."

3. In section 204.3(a), the third sentence is revised by deleting "\$5 million" and inserting in its place "\$15 million."

4. In section 204.3(a), subparagraphs (1)(ii) and (2)(ii) are revised to read as follows:

SECTION 204.3—COMPUTATION AND MAINTENANCE

(a) Maintenance of required reserves. * * *

(1) *United States branches and agencies of foreign banks.*

(i) * * *

(ii) * * * If the low reserve tranche cannot be fully utilized by a single office or by a group of offices filing a single report of deposits, the unused portion of the tranche may be assigned to other offices of the same foreign bank until the amount of the tranche is exhausted. The foreign bank shall determine this assignment subject to the restriction that if a portion of the tranche is assigned to an office in a particular State, any unused portion must first be assigned to other offices located within the same State and within the same Federal Reserve District, that is, to other offices included on the same aggregated report of deposits. If necessary in order to avoid under-utilization of the low reserve tranche, the allocation may be changed at the beginning of a calendar month. Under other circum-

stances, the low reserve tranche may be reallocated at the beginning of a calendar year.

(2) *Edge and Agreement Corporations.*

(i) * * *

(ii) * * * If the low reserve tranche cannot be fully utilized by a single office or by a group of offices filing a single report of deposits, the unused portion of the tranche may be assigned to other offices of the same institution until the amount of the tranche is exhausted. An Edge or Agreement Corporation shall determine this assignment subject to the restriction that if a portion of the tranche is assigned to an office in a particular State, any unused portion must first be assigned to other offices located within the same State and within the same Federal Reserve District, that is, to other offices included on the same aggregated report of deposits. If necessary in order to avoid under-utilization of the low reserve tranche, the allocation may be changed at the beginning of a calendar month. Under other circumstances, the low reserve tranche may be reallocated at the beginning of a calendar year.

* * * * *

5. In sections 204.4(b)(1)(ii) and (2)(ii), by deleting the word "exceeds" and inserting in its place "exceed."

6. In section 204.4(b)(2), by deleting the parentheses that appear around the phrase "than its required reserves computed using the reserve ratios in effect on August 31, 1980."

7. In section 204.4(g)(2)(iv), by deleting the phrase "daily average vault cash" and inserting "daily average total required reserves" in both places that it appears.

8. In section 204.6(b)(1), by deleting the word "on" which appears after the word "imposed" and before the word "for."

Effective December 11, 1980, section 204.2 is amended to read as follows:

In section 204.2, paragraph (h) is revised to read as follows:

SECTION 204.2—DEFINITIONS

* * * * *

(h) "Eurocurrency liabilities" means:

(1) For a depository institution or an Edge or

Agreement Corporation organized under the laws of the United States, the sum, if positive, of the following:

(i) net balances due to its non-United States offices from its United States offices,

(ii) assets (including participations) held by its non-United States offices or by non-United States offices of an affiliated Edge or Agreement Corporation that were acquired after October 6, 1979, from its United States offices, and

(iii) credit outstanding from its non-United States offices to United States residents (other than assets acquired and net balances due from its United States offices), except credit extended (i) in the aggregate amount of \$100,000 or less to any United States resident, (ii) by a non-United States office that at no time during the computation period had credit outstanding to United States residents exceeding \$1 million, or (iii) to an institution that will be maintaining reserves on such credit pursuant to this Part. Credit extended to a foreign branch, office, subsidiary, affiliate or other foreign establishment ("foreign affiliate") controlled by one or more domestic corporations is not regarded as credit extended to a United States resident if the proceeds will be used in its foreign business or that of other foreign affiliates of the controlling domestic corporation(s).

(2) For a United States branch or agency of a foreign bank, the sum, if positive, of the following:

(i) net balances due to its foreign bank (including offices thereof located outside the United States) after deducting an amount equal to 8 per cent of the following: the United States branch's or agency's total assets less the sum of United States currency and coin, cash items in process of collection, unposted debits, balances due from depository institutions organized under the laws of the United States, balances due from other foreign banks, balances due from foreign central banks, and net balances due from its foreign bank and the foreign bank's United States and non-United States offices, and

(ii) assets (including participations) held by its foreign bank (including offices thereof located outside the United States), by its parent holding company, or by non-United States offices of an affiliated Edge or Agreement Corporation that were acquired after October 6, 1979, from the United States branch or agency (other than assets required to be sold by Federal or State supervisory authorities).

* * * * *

Effective January 15, 1981, section 204.3 (d) is amended by revising subparagraph (2) to read as follows:

SECTION 204.3—COMPUTATION AND MAINTENANCE

* * * * *

(d) Special rule for depository institutions that have total deposits of less than \$15 million.

* * * * *

(2) Required reserves are computed on the basis of the depository institution's daily average deposit balances during the seven-day computation period. In determining the reserve balance that a depository institution is required to maintain with the Federal Reserve, the average daily vault cash held during the computation period is deducted from the amount of the institution's required reserves. The reserve balance that is required to be maintained with the Federal Reserve shall be maintained during a corresponding period that begins on the fourth Thursday following the end of the institution's computation period and ends on the third Wednesday after the close of the institution's next computation period. Such reserve balance shall be maintained in the amount required on a daily average basis during each week of the quarterly reserve maintenance period.

* * * * *