

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 81-7

January 12, 1981

QUARTERLY RESERVE REPORTING

TO THE CHIEF EXECUTIVE OFFICER OF EDGE ACT AND AGREEMENT CORPORATIONS AND OFFICES IN THE ELEVENTH FEDERAL RESERVE DISTRICT:

Implementation of the Depository Institutions Deregulation and Monetary Control Act affects the way in which Edge Act and Agreement Corporations report on the quarterly Report of Condition (FR 2886b) beginning with the December 1980 report. The areas principally affected are the definitions of demand, savings and time deposits; the treatment of NOW accounts and other transaction accounts; and the reporting of balances with the Federal Reserve either directly, or indirectly by passing reserve balances through another institution.

The changes relating to demand deposits, savings and time deposits, NOW accounts, and transaction accounts are definitional in nature and do not require any revisions in the reporting form. The changes required to accommodate pass-through reserve balances are more complex and may ultimately require additional line items for the Report of Condition. At this time, no revisions will be made to the existing form since making changes for the December reports at this late date would prove burdensome for Edge Act and Agreement Corporations. However, the reporting forms may be revised to identify pass-through reserve balances if pass-through arrangements become widespread among Edge Act and Agreement Corporations.

Demand, savings and time deposits

Effective with the reports for December 31, 1980, the definitions and instructions for deposits in the Report of Condition will be revised to reflect changes to Federal Reserve Regulations D and Q. The revisions are as follows: demand deposits will be redefined to include all deposits having an original maturity of less than 14 days, and time and savings deposits will be redefined to include all deposits having an original maturity, or a required notice period of 14 days or more.

NOW accounts

The Act permits depository institutions nationwide to offer NOW accounts beginning December 31, 1980. Previously, NOW accounts could be offered only by institutions in New England, New York, and New Jersey. Under Regulations D and Q, NOW accounts are regarded as savings accounts. In the Report of Condition, all NOW accounts should be reported in Liability Item 11.b, "Time deposits," and in Schedule C, Item 2, "Time deposits."

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.

Transaction accounts

The Monetary Control Act and the revised Regulation D establish, for purposes of Federal reserve requirements, a category of deposits identified as "transaction accounts." This category, which is not to be used in the Report of Condition, includes not only demand deposits but also certain time and savings deposits (NOW accounts, ATS accounts, and certain accounts subject to three or more preauthorized or telephone transfers per month) specified as transaction accounts by the Act and by Regulation D. On the Report of Condition, NOW accounts, ATS accounts, preauthorized transfer accounts, and telephone transfer accounts will continue to be reported in the items on "Time deposits" (Liability Item 11.b and Schedule C, Item 2).

Reserve balances at the Federal Reserve

Under the Monetary Control Act and the revised Federal Reserve Regulation D, nonmember institutions may hold their required reserves in excess of vault cash either directly with the Federal Reserve, or indirectly by passing their reserve balances to a Federal Reserve Bank through another institution. Nonmember institutions that hold their reserve balances directly with the Federal Reserve Banks should regard the amount of such balances, as well as any clearing balances maintained at Federal Reserve Banks, as balances with Federal Reserve Banks to be reported in Schedule A, Item 3.

Pass-through reserve balances

Only those nonmember institutions that participate either as a respondent or as a correspondent in a pass-through relationship need to be concerned with the reporting of pass-through balances. The appropriate identification of pass-through reserve balances may eventually require additional line items on the Report of Condition. If your institution is a respondent (i.e., passes its reserve balances through another institution to a Federal Reserve Bank) or a correspondent (i.e., passes reserve balances through to the Federal Reserve Bank on behalf of another nonmember institution), please contact Bill Green, Manager of the Statistical Department at this Bank, Ext. 6394, for information on the procedures for reporting such pass-through balances.

Sincerely yours,

Robert H. Boykin

President