

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 82-161
December 8, 1982

REGULATION D

RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS

(Booklet)

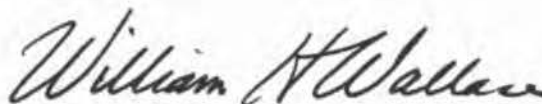
TO ALL DEPOSITORY INSTITUTIONS
AND OTHERS CONCERNED IN THE
ELEVENTH FEDERAL RESERVE DISTRICT:

Enclosed is a copy of "Reserve Requirements", a compilation of materials needed to comply with Regulation D, including a copy of the regulation itself.

This booklet was prepared as a reference document for all depository institutions and contains no new regulatory language. It is designed to put all of the material into one package, together with an index and an easy-to-understand summary of the regulation.

Additional copies of this circular will be furnished upon request to the Department of Communications, Financial and Community Affairs, Extension 6289.

Sincerely yours,



William H. Wallace
First Vice President

Enclosure

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.

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INTRODUCTION

The Depository Institutions Deregulation and Monetary Control Act of 1980 (P.L. 96-221), enacted on March 31, 1980, brings about a number of changes in the way financial institutions and the Federal Reserve System do business. First, it applies uniform reserve requirements, set by the Federal Reserve Board within limits specified by the Act, to all depository institutions with certain types of accounts and requires reports from these depository institutions. In general, reserve requirement ratios are lower now for all depository institutions than they were prior to the Act for banks that were members of the Federal Reserve System. The Act also extends access to the Federal Reserve discount window and to

other Federal Reserve services in step with implementation of a fee schedule; provides for the gradual phase-out of interest rate ceilings on time and savings deposits; and broadens the powers of depository institutions, permitting them all to offer accounts similar to checking accounts.

Taken together, these provisions of the Act serve two vital purposes. The first is competitive equity among financial institutions, which, given uniform reserve requirements, will be placed on a more equal footing and, given these new authorities, will be able to offer more equivalent services to their customers. The second purpose is improvement of the ef-

fectiveness of monetary policy by making the fulcrum on which that policy operates more stable.

The regulation governing Federal reserve requirements is Regulation D, which is contained in an appendix of this publication. Sample reporting forms and summary instructions, questions and answers about the regulation, and reserve maintenance schedules are contained in separate appendices. The body of the publication explains briefly the requirements of Regulation D: what accounts must be backed by reserves; what reports are required; what funds qualify as reserves; and how the new requirements will be phased-in.

April, 1982

RESERVE AND REPORTING REQUIREMENTS FOR DEPOSITORY INSTITUTIONS

WHO IS COVERED?

Regulation D imposes uniform Federal reserve requirements on all depository institutions — including commercial banks, savings banks, savings and loan associations, credit unions, and industrial banks — that have transaction accounts or nonpersonal time deposits. Under the terms of the International Banking Act of 1978, the same reserve requirements are also extended to U.S. agencies and branches of foreign banks. The revised reserve requirement rules also affect Edge Act and Agreement corporations.

Regulation D implements the nationwide reserve requirements established by the Federal Reserve. States may require their own reserves. In many cases, State authorities have permitted funds used to satisfy the Federal reserve requirement to be used to satisfy the State reserve requirement.

REPORTING OF DEPOSITS AND REQUIREMENTS FOR MAINTAINING RESERVES

Depository institutions subject to reserves are required to report certain deposits directly to the Federal Reserve and to maintain reserves on some of these deposits. Based on the information reported, the Federal Reserve calculates each institution's required reserves and notifies the institution of its requirement.

- Institutions with total deposits of \$15 million or more report and maintain reserves weekly.¹
- Member banks with total deposits of less than \$15 million and nonmember institutions with deposits of \$2 million or more but less than \$15 million report and main-

tain reserves on a quarterly rather than a weekly basis.

- Nonmember institutions with total deposits of less than \$2 million do not have to report or maintain reserves at least until the end of 1982.

Quarterly reporters are divided into three groups. The 1982 staggered reporting and reserve maintenance schedule for member and nonmember quarterly reporters is contained in Appendix D.

RESERVE REQUIREMENTS

The new Regulation D distinguishes between two general types of accounts: transaction accounts and time deposits.

Transaction accounts are those used to make payments to others. They include checking accounts, NOW accounts, share draft accounts, savings accounts that allow automatic transfers or payments by automated teller machines, and accounts that permit more than three telephone or preauthorized payments each month.

Time deposits, as defined by Regulation D, are deposits or certificates with original maturities of at least 14 days and savings accounts (including regular share accounts at credit unions and regular accounts at other thrift institutions) that allow the institution to require a least 14 days' notice before a withdrawal is made.

The reserve requirements for trans-

action accounts and those for time deposits are summarized in separate tables below.

Transaction Accounts

The amount of reserves required on transaction accounts is determined by multiplying the net amount of the transaction balances held in the financial institution by the reserve ratio set by the Federal Reserve. Net transaction balances are total transaction balances minus cash items in the process of collection and minus subject to immediate withdrawal balances due from depository institutions in this country. The reserve ratio is 3 percent of the first \$26 million of net transaction balances and 12 percent of the rest.

Nonpersonal Time Deposits

The amount of reserves required on time deposits is more complicated to determine, and the regulation itself should be consulted. Time deposits with original maturities of 3½ years or more do not have to be backed by reserves. Those with shorter maturities may have to be backed by reserves, depending on the transferability of the account and on the type of depositor. Nontransferable time deposits (including personal savings deposits) with maturities of less than 3½ years do not have to be backed by reserves when they are owned by natural persons. (A natural person is an individual or a sole proprietorship.) Nonpersonal time

RESERVES REQUIRED FOR TRANSACTION ACCOUNTS

An institution with this amount of net transaction balances. . .

\$26 million or less

Over \$26 million

. . . must keep this portion in cash or in a reserve account.

3%

3% of first \$26 million plus 12% of the rest

¹Edge Act and Agreement corporations and U.S. agencies and branches of foreign banks also report and maintain reserves weekly.

RESERVES REQUIRED FOR TIME DEPOSITS

Time deposits held by this type of depositor. which have this length of maturity. must be backed by reserves equal to this portion of the deposits that are transferable. and by this portion of the deposits that are not transferable (including personal savings deposits). . .
Individuals	Less than 3½ years	3%	0%
(Natural persons, sole proprietors)	3½ years or more	0%	0%
Businesses			
(partnerships, corporations, nonprofit organizations, governmental units)	Less than 3½ years	3%	3%
	3½ years or more	0%	0%

deposits owned by anyone else, however, are subject to a 3 percent reserve requirement.

Eurocurrency Liabilities

The Board has set a 3 percent reserve requirement on certain Eurocurrency liabilities (the same ratio as on nonpersonal time deposits). These are deposits arising from: net borrowings from related foreign offices and own IBF; gross borrowings from unrelated foreign depository institutions; loans to U.S. residents

made by overseas branches of domestic depository institutions; and sales of assets by depository institutions in the United States to their overseas offices or own IBF.

Supplemental Reserves

Under certain conditions, and after consultation with other depository institution regulators, the Board is authorized to impose a supplemental reserve requirement of not more than 4 percent of its transaction accounts on every depository institution. Interest

will be paid on supplemental reserves.

PHASE-IN OF RESERVE REQUIREMENTS

Nonmembers

For most nonmember commercial banks and thrift institutions, reserve requirements are phased in over an eight-year period, beginning with one-eighth of the full reserve requirement in November 1980 and increasing by one-eighth in September of each year after 1980.

PHASE-IN SCHEDULE FOR NONMEMBERS

During the period from through. nonmembers must meet this much of their full reserve requirement.
November 13, 1980	September 2, 1981	12.5%
September 3, 1981	September 1, 1982	25.0%
September 2, 1982	August 31, 1983	37.5%
September 1, 1983	September 5, 1984	50.0%
September 6, 1984	September 4, 1985	62.5%
September 5, 1985	September 3, 1986	75.0%
September 4, 1986	September 2, 1987	87.5%

Member Banks

Members of the Federal Reserve System on September 1, 1980, or banks that were members between July 1, 1979, and September 1, 1980, will have new reserve requirements phased-in over approximately 3½ years. To calculate the reserves during this period, banks must first compute the old reserve requirements and then compute the new one. The difference between the old requirement and the new requirement will be eliminated gradually. On November 13, 1980, required reserves were adjusted by one-quarter of the difference between old and new reserve requirements. At certain intervals, required reserves will be adjusted by an additional fraction of this difference.

Member banks should consult Section 204.4 of Regulation D for phase-in schedules.

WHAT FUNDS QUALIFY AS RESERVES

Cash on hand in a depository institution may be used to satisfy the reserve requirement. When cash is not sufficient, the balance of required reserves must be maintained at a Federal Reserve Bank in an account that earns no interest. Institutions that are members of the Federal Reserve System must maintain their reserves directly with a Federal Reserve Bank, as they are now doing. Nonmember institutions may keep the balance of their reserves at a Federal Reserve Bank in one of two ways. They may hold their reserves either directly with a Federal Reserve Bank or indirectly in an account with another institution that passes the reserves through to a Federal Reserve Bank. This second type of account is called a pass-through account.

PASS-THROUGH ACCOUNTS AND CORRESPONDENTS

The owner of a pass-through account is known as the respondent and the administrator of the account is known as the correspondent. Under a pass-through arrangement, the respondent institution provides its correspondent with the funds needed to meet its reserves. The correspondent then passes the reserves on to a Federal Reserve Bank on behalf of the respondent. A respondent may have only one pass-through account at a time. Each nonmember institution will have to decide whether to maintain its reserves directly or to use a pass-through arrangement.

A Federal Home Loan Bank, the National Credit Union Administration Central Liquidity Facility, or a depository institution that holds reserves directly at a Federal Reserve Bank may be a pass-through correspondent. Certain depository institutions that are not required to hold a reserve balance may be pass-through correspondents if authorized by the Board — for example, bankers' banks.

The Duties of a Pass-through Correspondent

A pass-through correspondent is responsible for making sure that its respondents keep the correct amount of reserves. Respondents' reserves must be kept at the Federal Reserve office in whose territory the respondents are located. If there are deficiencies in a correspondent's pass-through account, the Federal Reserve will assess any resulting penalties on the correspondent. The correspondent, if it wishes, may determine which of its respondents were deficient and pass on any penalties to them.

Decisions Correspondents Must Make

A pass-through correspondent must choose one of two ways of handling the reserve accounts of respondents whose head offices are in the same Federal Reserve territory as the correspondent. One way is to put the reserves of these respondents in the correspondent's own reserve account at its own Federal Reserve office. The other way is to put their reserves in a second account at the correspondent's own Federal Reserve office. Either way, respondents' reserves are mixed together. Correspondents have no choice about how to handle the reserves of respondents whose head offices are not in their own Federal Reserve territory. The reserves of these respondents must be held at the Federal Reserve office that serves the respondents' home offices. The reserves of all the respondents of a single correspondent with head offices in the same Federal Reserve territory must be put into a single account of the correspondent at the Federal Reserve office for that territory.

APPENDIX A

Regulation D, Reserve Requirements of Depository Institutions

As revised effective January 9, 1981

SECTION 204.1—AUTHORITY, PURPOSE AND SCOPE

(a) **Authority.** This Part is issued under the authority of section 19 (12 U.S.C. 461 *et seq.*) and other provisions of the Federal Reserve Act and of section 7 of the International Banking Act of 1978 (12 U.S.C. 3105).

(b) **Purpose.** This Part relates to reserves that depository institutions are required to maintain for the purpose of facilitating the implementation of monetary policy by the Federal Reserve System.

(c) **Scope.** (1) The following depository institutions are required to maintain reserves in accordance with this Part:

(i) Any insured bank as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813(h)) or any bank that is eligible to apply to become an insured bank under section 5 of such Act (12 U.S.C. 1815);

(ii) Any savings bank or mutual savings bank as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813(f), (g));

(iii) Any insured credit union as defined in section 101 of the Federal Credit Union Act (12 U.S.C. 1752(7)) or any credit union that is eligible to apply to become an insured credit union under section 201 of such Act (12 U.S.C. 1781);

(iv) Any member as defined in section 2 of the Federal Home Loan Bank Act (12 U.S.C. 1422(4)); and

(v) Any insured institution as defined in section 401 of the National Housing Act (12 U.S.C. 1724(a)) or any institution which is eligible to ap-

ply to become an insured institution under section 403 of such Act (12 U.S.C. 1726).

(2) Except as may be otherwise provided by the Board, a foreign bank's branch or agency located in the United States is required to comply with the provisions of this Part in the same manner and to the same extent as if the branch or agency were a member bank, if its parent foreign bank (i) has total worldwide consolidated bank assets in excess of \$1 billion; or (ii) is controlled by a foreign company or by a group of foreign companies that own or control foreign banks that in the aggregate have total worldwide consolidated bank assets in excess of \$1 billion. In addition, any other foreign bank's branch located in the United States that is eligible to apply to become an insured bank under section 5 of the Federal Deposit Insurance Act (12 U.S.C. 1815) is required to maintain reserves in accordance with this part as a nonmember depository institution.

(3) Except as may be otherwise provided by the Board, an Edge Corporation (12 U.S.C. 611 *et seq.*) or an Agreement Corporation (12 U.S.C. 601 *et seq.*) is required to comply with the provisions of this Part in the same manner and to the same extent as a member bank.

(4) This Part does not apply to any financial institution that (i) is organized solely to do business with other financial institutions; (ii) is owned primarily by the financial institutions with which it does business; and (iii) does not do business with the general public.

(5) The provisions of this Part do not apply to any deposit that is payable only at an office located outside

the United States.

SECTION 204.2—DEFINITIONS

For purposes of this Part, the following definitions apply unless otherwise specified:

(a)(1) **“Deposit”** means:

(i) the unpaid balance of money or its equivalent received or held by a depository institution in the usual course of business and for which it has given or is obligated to give credit, either conditionally or unconditionally, to an account, including interest credited, or which is evidenced by an instrument on which the depository institution is primarily liable;

(ii) money received or held by a depository institution, or the credit given for money or its equivalent received or held by the depository institution in the usual course of business for a special or specific purpose, regardless of the legal relationships established thereby, including escrow funds, funds held as security for securities loaned by the depository institution, funds deposited as advance payment on subscriptions to United States government securities, and funds held to meet its acceptances;

(iii) an outstanding draft, cashier's check, money order, or officer's check drawn on the depository institution and issued in the usual course of business for any purpose, including payment for services, dividends, or purchases;

(iv) any due bill or other liability or undertaking on the part of a depository institution to sell or deliver securities to, or purchase securities for the account of, any customer (including another depository institution), involving either the receipt of funds by the depository institution, regardless of the use of the proceeds,

or a debit to an account of the customer before the securities are delivered. A deposit arises thereafter, if after three business days from the date of issuance of the obligation, the depository institution does not deliver the securities purchased or does not fully collateralize its obligation with securities similar to the securities purchased. A security is similar if it is of the same type and if it is of comparable maturity to that purchased by the customer;

(v) any liability of a depository institution's affiliate that is not a depository institution, on any promissory note, acknowledgment of advance, due bill, or similar obligation (written or oral), with a maturity of less than four years, to the extent that the proceeds are used to supply or to maintain the availability of funds (other than capital) to the depository institution, except any such obligation that, had it been issued directly by the depository institution, would not constitute a deposit. If an obligation of an affiliate of a depository institution is regarded as a deposit and is used to purchase assets from the depository institution, the maturity of the deposit is determined by the shorter of the maturity of the obligation issued or the remaining maturity of the assets purchased. If the proceeds from an affiliate's obligation are placed in the depository institution in the form of a reservable deposit, no reserves need be maintained against the obligation of the affiliate since reserves are required to be maintained against the deposit issued by the depository institution. However, the maturity of the deposit issued to the affiliate shall be the shorter of the maturity of the affiliate's obligation or the maturity of the deposit;

(vi) credit balances;

(vii) any liability of a depository institution on any promissory note, acknowledgment of advance,

bankers' acceptance, or similar obligation (written or oral), including mortgage-backed bonds, that is issued or undertaken by a depository institution as a means of obtaining funds, except any such obligation that:

(A) is issued or undertaken and held for the account of:

(1) an office located in the United States of another depository institution, foreign bank, Edge or Agreement Corporation, or New York Investment (Article XII) Company;

(2) the United States government or an agency thereof; or

(3) the Export-Import Bank of the United States, Minbanc Capital Corporation, the Government Development Bank for Puerto Rico, a Federal Reserve Bank, a Federal Home Loan Bank, or the National Credit Union Administration Central Liquidity Facility;

(B) arises from a transfer of direct obligations of, or obligations that are fully guaranteed as to principal and interest by, the United States government or any agency thereof that the depository institution is obligated to repurchase;

(C) is not insured by a Federal agency, is subordinated to the claims of depositors, has a weighted average maturity of seven years or more, is not subject to Federal interest rate limitations, and is issued by a depository institution with the approval of, or under the rules and regulations of, its primary Federal supervisor;

(D) arises from a borrowing by a depository institution from a dealer in securities, for one business day, of proceeds of a transfer of deposit credit in a Federal Reserve Bank or other immediately available funds. (commonly referred to as

"Federal funds"), received by such dealer on the date of the loan in connection with clearance of securities transactions; or

(E) arises from the creation, discount and subsequent sale by a depository institution of its bankers' acceptance of the type described in paragraph 7 of section 13 of the Federal Reserve Act (12 U.S.C. § 372).

(2) "Deposit" does not include:

(i) trust funds received or held by the depository institution that it keeps properly segregated as trust funds and apart from its general assets or which it deposits in another institution to the credit of itself as trustee or other fiduciary. If trust funds are deposited with the commercial department of the depository institution or otherwise mingled with its general assets, a deposit liability of the institution is created;

(ii) an obligation that represents a conditional, contingent or endorser's liability;

(iii) obligations, the proceeds of which are not used by the depository institution for purposes of making loans, investments, or maintaining liquid assets such as cash or "due from" depository institutions or other similar purposes. An obligation issued for the purpose of raising funds to purchase business premises, equipment, supplies, or similar assets is not a deposit;

(iv) accounts payable;

(v) hypothecated "deposits" created by payments on an installment loan where (A) the amounts received are not used immediately to reduce the unpaid balance due on the loan until the sum of the payments equals the entire amount of loan principal and interest; (B) and where such amounts are irrevocably

assigned to the depository institution and cannot be reached by the borrower or creditors of the borrower;

(vi) dealer reserve and differential accounts that arise from the financing of dealer installment accounts receivable, and which provide that the dealer may not have access to the funds in the account until the installment loans are repaid, as long as the depository institution is not actually (as distinguished from contingently) obligated to make credit or funds available to the dealer;

(vii) a dividend declared by a depository institution for the period intervening between the date of the declaration of the dividend and the date on which it is paid;

(viii) an obligation representing a "pass-through account," as defined in this section;

(ix) an obligation arising from the retention by the depository institution of no more than a 10 per cent interest in a pool of conventional 1-4 family mortgages that are sold to third parties;

(x) an obligation issued to a State or municipal housing authority under a loan-to-lender program involving the issuance of tax exempt bonds and the subsequent lending of the proceeds to the depository institution for housing finance purposes;

(xi) shares of a credit union held by the National Credit Union Administration or the National Credit Union Administration Central Liquidity Facility under a statutorily authorized assistance program; and

(xii) any liability of a United States branch or agency of a foreign bank to another United States branch or agency of the same foreign bank, or the liability of the United States office of an Edge Corporation to another United States office of the

same Edge Corporation.

(b)(1) "**Demand deposit**" means a deposit that is payable on demand, or a deposit issued with an original maturity or required notice period of less than 14 days, or a deposit representing funds for which the depository institution does not reserve the right to require at least 14 days' written notice of an intended withdrawal. The term includes all deposits other than time and savings deposits. Demand deposits may be in the form of (i) checking accounts; (ii) certified, cashier's and officer's checks (including checks issued by the depository institution in payment of dividends); (iii) traveler's checks and money orders that are primary obligations of the issuing institution; (iv) checks or drafts drawn by, or on behalf of, a non-United States office of a depository institution on an account maintained at any of the institution's United States offices; (v) letters of credit sold for cash or its equivalent; (vi) withheld taxes, withheld insurance and other withheld funds; (vii) time deposits that have matured or time deposits upon which the required notice of withdrawal period has expired and which have not been renewed (either by action of the depositor or automatically under the terms of the deposit agreement); and (viii) an obligation to pay on demand or within 14 days a check (or other instrument, device, or arrangement for the transfer of funds) drawn on the depository institution, where the account of the institution's customer already has been debited. The term does not include an obligation that is a time deposit under section 204.2(c)(1)(ii).

(2) A "demand deposit" does not include checks or drafts drawn by the depository institution on the Federal Reserve or on another depository institution.

(c)(1) "**Time deposit**" means (i) a deposit that the depositor does not

have a right to withdraw for a period of 14 days or more after the date of deposit. "Time deposit" includes funds:

(A) payable on a specified date not less than 14 days after the date of deposit;

(B) payable at the expiration of a specified time not less than 14 days after the date of deposit;

(C) payable upon written notice which actually is required to be given by the depositor not less than 14 days before the date of repayment;

(D) such as "Christmas club" accounts and "vacation club" accounts that are deposited under written contracts providing that no withdrawal shall be made until a certain number of periodic deposits have been made during a period of not less than three months even though some of the deposits may be made within 14 days from the end of the period; or

(E) that constitute a "savings deposit" which is not regarded as a "transaction account."

(ii) borrowings, regardless of maturity, represented by a promissory note, an acknowledgment of advance, or similar obligation described in section 204.2(a)(1)(vii) that is issued to any office located outside the United States of another depository institution or Edge or Agreement Corporation organized under the laws of the United States, to any office located outside the United States of a foreign bank, or to institutions whose time deposits are exempt from interest rate limitations under section 217.3(g) of Regulation Q (12 CFR 217.3(g)).

(2) A time deposit may be represented by a transferable or non-transferable, or a negotiable or non-negotiable, certificate, instrument,

passbook, statement, or otherwise. A "time deposit" includes share certificates and certificates of indebtedness issued by credit unions, and certificate accounts and notice accounts issued by savings and loan associations.

(d)(1) "**Savings deposit**" means a deposit or account with respect to which the depositor is not required by the deposit contract but may at any time be required by the depository institution to give written notice of an intended withdrawal not less than 14 days before withdrawal is made, and that is not payable on a specified date or at the expiration of a specified time after the date of deposit. A deposit may continue to be classified as a savings deposit even if the depository institution exercises its right to require notice of withdrawal. A "savings deposit" includes a regular share account at a credit union and a regular account at a savings and loan association.

(2) For depository institutions subject to 12 CFR Part 217 or 12 CFR Part 329, funds deposited to the credit of, or in which any beneficial interest is held by, a corporation, association, partnership or other organization operated for profit may be classified as a savings deposit if such funds do not exceed \$150,000 per depositor at the depository institution.

(3) "Savings deposit" does not include funds deposited to the credit of the depository institution's own trust department where the funds involved are utilized to cover checks or drafts. Such funds are "transaction accounts."

(e) "**Transaction account**" means a deposit or account on which the depositor or account holder is permitted to make withdrawals by negotiable or transferable instrument, payment orders of withdrawal, telephone transfers, or other similar device for the purpose of making pay-

ments or transfers to third persons or others. "Transaction account" includes:

(1) demand deposits;

(2) deposits or accounts subject to check, draft, negotiable order of withdrawal, share draft, or other similar item;

(3) savings deposits or accounts in which withdrawals may be made automatically through payment to the depository institution itself or through transfer of credit to a demand deposit or other account in order to cover checks or drafts drawn upon the institution or to maintain a specified balance in, or to make periodic transfers to, such accounts (automatic transfer accounts);

(4) deposits or accounts in which payments may be made to third parties by means of an automated teller machine, remote service unit or other electronic device; and

(5) deposits or accounts in which payments may be made to third parties by means of a debit card;

(6) deposits or accounts under the terms of which, or which by practice of the depository institution, the depositor is permitted or authorized to make more than three withdrawals per month for purposes of transferring funds to another account or for making a payment to a third party by means of preauthorized or telephone agreement, order or instruction. 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. A "preauthorized transfer" includes any arrangement by the depository institution to pay a third party from the

account of a depositor upon written or oral instruction (including an order received through an automated clearing house (ACH)), or any arrangement by a depository institution to pay a third party from the account of the depositor at a predetermined time or on a fixed schedule. An account is not a "transaction account" by virtue of an arrangement that permits withdrawals for the purpose of repaying loans and associated expenses at the same depository institution (as originator or servicer).

(f)(1) "**Nonpersonal time deposit**" means:

(i) a time deposit, including a savings deposit, that is not a transaction account, representing funds in which any beneficial interest is held by a depositor which is not a natural person;

(ii) a time deposit including a savings deposit that is not a transaction account, that represents funds deposited to the credit of a depositor that is not a natural person, other than a deposit to the credit of a trustee or other fiduciary if the entire beneficial interest in the deposit is held by one or more natural persons;

(iii) a time deposit that is transferable, except a time deposit originally issued before October 1, 1980, to and held by one or more natural persons, including a deposit to the credit of a trustee or other fiduciary if the entire beneficial interest in the deposit is held by one or more natural persons;

(iv) a time deposit that is transferable, issued on or after October 1, 1980, to and held by one or more natural persons, including a deposit to the credit of a trustee or other fiduciary if the entire beneficial interest is held by one or more natural persons. A time deposit is transferable unless it contains a specific

statement on the certificate, instrument, passbook, statement or other form representing the account that it is not transferable. A time deposit that contains a specific statement that it is not transferable is not regarded as transferable even if the following transactions can be effected: a pledge as collateral for a loan; a transaction that occurs due to circumstances arising from death, incompetency, marriage, divorce, attachment or otherwise by operation of law or a transfer on the books or records of the institution; and

(v) a time deposit represented by a promissory note, an acknowledgment of advance, or a similar obligation described in section 204.2(a)(1)(vii) that is issued to any office located outside the United States of another depository institution or Edge or Agreement Corporation organized under the laws of the United States, to any office located outside the United States of a foreign bank, or to institutions whose time deposits are exempt from interest rate limitations under section 217.3(g) of Regulation Q (12 CFR 217.3(g)).

(2) "Nonpersonal time deposit" does not include nontransferable time deposits to the credit of or in which the entire beneficial interest is held by an individual pursuant to an Individual Retirement Account or Keogh (H. R. 10) Plan under 26 U.S.C. (I.R.C. 1954) §§ 408, 401, or nontransferable time deposits held by an employee as part of an unfunded deferred compensation plan established pursuant to Subtitle D of the Revenue Act of 1978 (Pub. L. No. 95-600, 92 Stat. 2763)

(g) "Natural person" means an individual or a sole proprietorship. The term does not mean a corporation owned by an individual, a partnership or other association.

(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 and its international banking facilities ("IBFs") from its United States offices;

(ii) (A) for a depository institution organized under the laws of the United States, assets (including participations) acquired from its United States offices and held by its non-United States offices, by its IBF, or by non-United States offices of an affiliated Edge or Agreement Corporation;¹ or

(B) for an Edge or Agreement Corporation, assets (including participations) acquired from its United States offices and held by its non-United States offices, by its IBF, by non-United States offices of its U.S. or foreign parent institution, or by non-United States offices of an affiliated Edge or Agreement Corporation;¹ 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 (A) from its non-United States offices in the aggregate amount of \$100,000 or less to any United States resident, (B) by a non-United States office that at no time during the computation period had credit outstanding to United States residents exceeding \$1 million, (C) to an international banking facility, or (D) to an institution that will be maintaining reserves on such credit pursuant to this Part. Credit extended from non-United States offices or from IBFs to a for-

eign 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 to finance the operations outside the United States of the borrower or 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) and its international banking facility 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 (A) cash items in process of collection; (B) unposted debits; (C) demand balances due from depository institutions organized under the laws of the United States and from other foreign banks; (D) balances due from foreign central banks; and (E) positive net balances due from its IBF, its foreign bank, and the foreign bank's United States and non-United States offices; and

(ii) assets (including participations) acquired from the United States branch or agency (other than assets required to be sold by Federal or State supervisory authorities) and held by its foreign bank (including offices thereof located outside the United States), by its parent holding company, by non-United States offices or an IBF of an affiliated Edge or Agreement Corporation, or by its IBFs.¹

(i)(1) "Cash item in process of collection" means:

(i) checks in the process of collection, drawn on a bank or other depository institution that are payable

¹This subparagraph does not apply to assets (1) that were acquired before October 7, 1979, or (2) that were acquired by an IBF from its establishing entity before the end of the fourth reserve computation period after its establishment.

immediately upon presentation in the United States, including checks forwarded to a Federal Reserve Bank in process of collection and checks on hand that will be presented for payment or forwarded for collection on the following business day;

(ii) government checks drawn on the Treasury of the United States that are in the process of collection; and

(iii) such other items in the process of collection, that are payable immediately upon presentation in the United States and that are customarily cleared or collected by depository institutions as cash items, including:

(A) drafts payable through another depository institution;

(B) redeemed bonds and coupons;

(C) food coupons and certificates;

(D) postal and other money orders, and traveler's checks;

(E) amounts credited to deposit accounts in connection with automated payment arrangements where such credits are made one business day prior to the scheduled payment date to insure that funds are available on the payment date;

(F) commodity or bill of lading drafts payable immediately upon presentation in the United States;

(G) returned items and unposted debits; and

(H) broker security drafts.

(2) "Cash item in process of collection" does not include items handled as noncash collections and credit card sales slips and drafts.

(j) "Net transaction accounts"

means the total amount of a depository institution's transaction accounts less the deductions allowed under the provisions of § 204.3.

(k)(1) "Vault cash" means United States currency and coin owned and held by a depository institution that may, at any time, be used to satisfy depositors' claims.

(2) "Vault cash" includes United States currency and coin in transit to a Federal Reserve Bank or a correspondent depository institution for which the reporting depository institution has not yet received credit, and United States currency and coin in transit from a Federal Reserve Bank or a correspondent depository institution when the reporting depository institution's account at the Federal Reserve or correspondent bank has been charged for such shipment.

(3) Silver and gold coin and other currency and coin whose numismatic or bullion value is substantially in excess of face value is not vault cash for purposes of this Part.

(l) "Pass-through account" means a balance maintained by a depository institution that is not a member bank, by a U.S. branch or agency of a foreign bank, or by an Edge or Agreement Corporation, (1) in an institution that maintains required reserve balances at a Federal Reserve Bank, (2) in a Federal Home Loan Bank, (3) in the National Credit Union Administration Central Liquidity Facility, or (4) in an institution that has been authorized by the Board to pass through required reserve balances if the institution, Federal Home Loan Bank, or National Credit Union Administration Central Liquidity Facility maintains the funds in the form of a balance in a Federal Reserve Bank of which it is a member or at which it maintains an account in accordance with rules and regulations of the board.

(m)(1) "Depository institution" means:

(i) any insured bank as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813(h)) or any bank that is eligible to apply to become an insured bank under section 5 of such Act (12 U.S.C. 1815);

(ii) any savings bank or mutual savings bank as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. § 1813(f), (g));

(iii) any insured credit union as defined in section 101 of the Federal Credit Union Act (12 U.S.C. 1752(7)) or any credit union that is eligible to apply to become an insured credit union under section 201 of such Act (12 U.S.C. § 1781);

(iv) any member as defined in section 2 of the Federal Home Loan Bank Act (12 U.S.C. 1422(4)); and

(v) any insured institution as defined in section 401 of the National Housing Act (12 U.S.C. § 1724(a)) or any institution which is eligible to apply to become an insured institution under section 403 of such Act (12 U.S.C. 1726).

(2) "Depository institution" does not include international organizations such as the World Bank, the Inter-American Development Bank, and the Asian Development Bank.

(n) "Member bank" means a depository institution that is a member of the Federal Reserve System.

(o) "Foreign bank" means any bank or other similar institution organized under the laws of any country other than the United States or organized under the laws of Puerto Rico, Guam, American Samoa, the Virgin Islands, or other territory or possession of the United States.

(p) **"De novo depository institution"** means a depository institution that was not engaged in business on July 1, 1979, and is not the successor by merger or consolidation to a depository institution that was engaged in business prior to the date of merger or consolidation.

(q) **"Affiliate"** includes any corporation, association, or other organization:

(1) Of which a depository institution, directly or indirectly, owns or controls either a majority of the voting shares or more than 50 per cent of the numbers of shares voted for the election of its directors, trustees, or other persons exercising similar functions at the preceding election, or controls in any manner the election of a majority of its directors, trustees, or other persons exercising similar functions;

(2) Of which control is held, directly or indirectly, through stock ownership or in any other manner, by the shareholders of a depository institution who own or control either a majority of the shares of such depository institution or more than 50 per cent of the number of shares voted for the election of directors of such depository institution at the preceding election, or by trustees for the benefit of the shareholders of any such depository institution;

(3) Of which a majority of its directors, trustees, or other persons exercising similar functions are directors of any one depository institution; or

(4) Which owns or controls, directly or indirectly, either a majority of the shares of capital stock of a depository institution or more than 50 per cent of the number of shares voted for the election of directors,

trustees or other persons exercising similar functions of a depository institution at the preceding election, or controls in any manner the election of a majority of the directors, trustees, or other persons exercising similar functions of a depository institution, or for the benefit of whose shareholders or members all or substantially all the capital stock of a depository institution is held by trustees.

(r) **"United States"** means the States of the United States and the District of Columbia.

(s) **"United States resident"** means (1) any individual residing (at the time of the transaction) in the United States; (2) any corporation, partnership, association or other entity organized in the United States ("domestic corporation"); and (3) any branch or office located in the United States of any entity that is not organized in the United States.

(t) **"Any deposit that is payable only at an office located outside the United States"** means (1) a deposit of a United States resident² that is in a denomination of \$100,000 or more, and as to which the depositor is entitled, under the agreement with the institution, to demand payment only outside the United States or (2) a deposit of a person who is not a United States resident² as to which the depositor is entitled, under the agreement with the institution, to demand payment only outside the United States.

SECTION 204.3—COMPUTATION AND MAINTENANCE

(a) **Maintenance of required reserves.** A depository institution, a U.S. branch or agency of a foreign bank, and an Edge or Agreement Corporation shall maintain reserves against its deposits and Eurocurrency

liabilities in accordance with the procedures prescribed in this section and section 204.4 and the ratios prescribed in section 204.9. Penalties shall be assessed for deficiencies in required reserves in accordance with the provisions of section 204.7. Every institution holding transaction accounts or nonpersonal time deposits shall file a report of deposits each week with the Federal Reserve Bank of its District (see section 204.3(d) for the special rule for depository institutions with total deposits of less than \$15 million) and any other reports that the Board may require by rule, regulation or order. For purposes of this Part, the obligations of a majority owned (50% or more) U.S. subsidiary (except an Edge or Agreement Corporation) of a depository institution shall be regarded as obligations of the parent depository institution.

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

(i) A foreign bank's United States branches and agencies operating within the same State and within the same Federal Reserve District shall prepare and file a report of deposits on an aggregated basis.

(ii) United States branches and agencies of the same foreign bank shall, if possible, assign the low reserve tranche on transaction accounts (§ 204.9(a)) to only one office or to a group of offices filing a single aggregated report of deposits. 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 or net transaction accounts is exhausted. The foreign bank shall determine this assignment

²A deposit of a foreign branch, office, subsidiary, affiliate or other foreign establishment ("foreign affiliate") controlled by one or more domestic corporations is not regarded as a deposit of a United States resident if the funds serve a purpose in connection with its foreign or international business or that of other foreign affiliates of the controlling domestic corporation(s).

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 underutilization 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.

(2) Edge and Agreement Corporations.

(i) An Edge or Agreement Corporation's offices operating within the same State and within the same Federal Reserve District shall prepare and file a report of deposits on an aggregated basis.

(ii) An Edge or Agreement Corporation shall, if possible, assign the low reserve tranche on transaction accounts (§ 204.9(a)) to only one office or to a group of offices filing a single aggregated report of deposits. 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 underutilization 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.

(b) **Form of reserves.** Reserves shall be held in the form of (i) vault cash, (ii) a balance maintained directly with the Federal Reserve Bank in the District in which it is located, or (iii) a pass-through account. Reserves held in the form of a pass-through account shall be considered to be a balance maintained with the Federal Reserve.

(c) **Computation of required reserves.** Required reserves are computed on the basis of the daily average deposit balances during a seven-day period ending each Wednesday (the "computation period"). Reserve requirements are computed by applying the ratios prescribed in section 204.9 to the classes of deposits and Eurocurrency liabilities of the institution. In determining the reserve balance that is required to be maintained 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 seven-day period (the "maintenance period") which begins on the second Thursday following the end of a given computation period.

(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) 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.

(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. The Board may require any depository institution that is experiencing above normal growth to report on a weekly basis prior to reporting \$15 million or more in total deposits for two consecutive calendar quarters.

(4) A depository institution that qualifies under this paragraph may elect at the beginning of a calendar year to report deposits and maintain reserves on a weekly basis.

(5) This paragraph shall not apply to an Edge or Agreement Corporation or a United States branch or agency of a foreign bank.

(e) Computation of transaction accounts. Overdrafts in demand deposit

or other transaction accounts are not to be treated as negative demand deposits or negative transaction accounts and shall not be netted since overdrafts are properly reflected on an institution's books as assets.

However, where a customer maintains multiple transaction accounts with a depository institution, overdrafts in one account pursuant to a *bona fide* cash management arrangement are permitted to be netted against balances in other related transaction accounts for reserve requirement purposes.

(f) Deductions allowed in computing reserves.

(1) In determining the reserve balance required under this Part, the amount of cash items in process of collection and balances subject to immediate withdrawal due from other depository institutions located in the United States (including such amounts due from United States branches and agencies of foreign banks and Edge and Agreement Corporations) may be deducted from the amount of gross transaction accounts. The amount that may be deducted may not exceed that amount of gross transaction accounts. However, if a depository institution maintains any transaction accounts that are first authorized under Federal law after April 1, 1980, it may deduct from these balances cash items in process of collection and balances subject to immediate withdrawal due from other depository institutions located in the United States only to the extent of the proportion that such newly authorized transaction accounts are of the institution's total transaction accounts. The remaining cash items in process of collection and balances subject to immediate withdrawal due from other depository institutions located in the United States shall be deducted from the institution's remaining transaction accounts.

(2) United States branches and agencies of a foreign bank may not deduct balances due from another United States branch or agency of the same foreign bank, and United States offices of an Edge or Agreement Corporation may not deduct balances due from another United States office of the same Edge Corporation.

(3) Balances "due from other depository institutions" do not include balances due from Federal Reserve Banks, pass-through accounts, or balances (payable in dollars or otherwise) due from banking offices located outside the United States. An institution exercising fiduciary powers may not include in "balances due from other depository institutions" amounts of trust funds deposited with other banks and due to it as a trustee or other fiduciary.

(g) Availability of cash items as reserves. Cash items forwarded to a Federal Reserve Bank for collection and credit shall not be counted as part of the reserve balance to be carried out with the Federal Reserve until the expiration of the time specified in the appropriate time schedule established under Regulation J, "Collection of Checks and Other Items and Transfers of Funds" (12 CFR Part 210). If a depository institution draws against items before that time, the charge will be made to its reserve account if the balance is sufficient to pay it; any resulting impairment of reserve balances will be subject to the penalties provided by law and by this Part. However, the Federal Reserve Bank may, at its discretion, refuse to permit the withdrawal or other use of credit given in a reserve account for any time for which the Federal Reserve bank has not received payment in actually and finally collected funds.

(h) Carryover of deficiencies. Any excess or deficiency in a required

reserve balance for any maintenance period that does not exceed 2 per cent of institution's required reserves shall be carried forward to the next maintenance period. Any carryover not offset during the next period may not be carried forward to additional periods.

(i) Pass-through rules.

(1) Procedure

(i) A nonmember depository institution required to maintain reserve balances ("respondent") may select only one institution to pass through its required reserves. Eligible institutions through which respondent required reserve balances may be passed ("correspondents") are Federal Home Loan Banks, the National Credit Union Administration Central Liquidity Facility, and depository institutions that maintain required reserves at a Federal Reserve office. In addition, the Board reserves the right to permit other institutions, on a case-by-case basis, to serve as pass-through correspondents. The correspondent chosen must subsequently pass through the required reserve balances of its respondents directly to the appropriate Federal Reserve office. The correspondent placing funds with the Federal Reserve on behalf of respondents will be responsible for reserve account maintenance as described in subparagraphs (3) and (4) below.

(ii) Respondent depository institutions or pass-through correspondents may institute, terminate, or change pass-through arrangements for the maintenance of required reserve balances by providing all documentation required for the establishment of the new arrangement and/or termination of the existing arrangement to the Federal Reserve Bank in whose territory the respondent is located. The time period required for such a change to be effected shall be specified by each Reserve Bank in its operating circular.

(iii) U.S. branches and agencies of foreign banks and Edge and Agreement Corporations may (a) act as pass-through correspondents for any non-member institution required to maintain reserves or (b) pass their own required reserve balances through correspondents. In accordance with the provision set forth in subparagraph (3) below, the U.S. branches and agencies of a foreign bank or offices of an Edge and Agreement Corporation filing a single aggregated report of deposits may designate any one of the other U.S. offices of the same institution to serve as a pass-through correspondent for all of the offices filing such a single aggregated report of deposits.

(2) Reports

(i) Every depository institution that maintains transaction accounts or non personal time deposits is required to file its report of deposits (or any other required form or statement) directly with the Federal Reserve Bank of its District, regardless of the manner in which it chooses to maintain required reserve balances.

(ii) The Federal Reserve Bank receiving such reports shall notify the reporting depository institution of its reserve requirements. Where a pass-through arrangement exists, the Reserve Bank will also notify the correspondent passing respondent reserve balances through to the Federal Reserve of its respondent's required reserve balances.

(iii) the Federal Reserve will not hold a correspondent responsible for guaranteeing the accuracy of the reports of deposits submitted by its respondents to their local Federal Reserve Bank.

(3) Account Maintenance

(i) A correspondent that passes through required reserve balances of respondents whose main offices are located in the same Federal Reserve

territory in which the main office of the correspondent is located shall have the option of maintaining such required reserve balances in one of two ways: (a) A correspondent may maintain such balances along with the correspondent's own required reserve balances in a single commingled account at the Federal Reserve Bank office in whose territory the correspondent's main office is located; or (b) A correspondent may maintain its own required reserve balance in an account with the Federal Reserve Bank office in whose territory its main office is located. The correspondent, in addition, would maintain in a separate commingled account the required reserve balances passed through for respondents whose main office is located in the same Federal Reserve territory as that of the main office of the correspondent.

(ii) A correspondent that passes through required reserve balances of respondents whose main offices are located outside the Federal Reserve territory in which the main office of the correspondent is located shall maintain such required reserve balances in a separate commingled account at each Federal Reserve office in whose territory the main offices of such respondents are located.

(iii) A Reserve Bank may, at its discretion, require a pass-through correspondent to consolidate in a single account the reserve balances of all of its respondents whose main offices are located in any territory of that Federal Reserve District.

(4) Responsibilities of Parties

(i) Each individual depository institution is responsible for maintaining its required reserve balance with the Federal Reserve Bank either directly or through a pass-through correspondent.

(ii) A pass-through correspondent shall be responsible for assuring

the maintenance of the appropriate aggregate level of its respondents' required reserve balance. A Reserve Bank will compare the total reserve balance required to be maintained in each reserve account with the total actual reserve balance held in such reserve accounts for purposes of determining required reserve deficiencies, imposing or waiving penalties for deficiencies in required reserves, and for other reserve maintenance purposes. A penalty for a deficiency in the aggregate level of the required reserve balance will be imposed by the Reserve Bank on the correspondent maintaining the account.

(iii) Each correspondent is required to maintain detailed records for each of its respondents in a manner that permits Reserve Banks to determine whether the respondent has provided a sufficient required reserve balance to the correspondent. A correspondent passing through a respondent's reserve balance shall maintain records and make such reports as the Federal Reserve System requires in order to insure the correspondent's compliance with its responsibilities for the maintenance of a respondent's reserve balance. Such records shall be available to the Federal Reserve Banks as required.

(iv) The Federal Reserve Bank may terminate any pass-through relationship in which the correspondent is deficient in its recordkeeping or other responsibilities.

(v) Interest paid on supplemental reserves (if such reserves are required under section 204.6 of this Part) held by respondent(s) will be credited to the commingled reserve account(s) maintained by the correspondent.

(5) Services

(i) A depository institution maintaining its reserve balances on a pass-through basis may obtain available Federal Reserve System services

directly from its local Federal Reserve office. For this purpose, the pass-through account in which a respondent's required reserve balance is maintained may be used by the respondent for the posting of entries arising from transactions involving the use of such Federal Reserve services, if the posting of these types of transactions has been authorized by the correspondent and the Federal Reserve. For example, access to the wire transfer, securities transfer, and settlement services that involve charges to the commingled reserve account at the Reserve Bank will require authorization from the correspondent and the Reserve Bank for the type of transaction that is occurring.

(ii) In addition, in obtaining Federal Reserve services, respondents maintaining their required reserves on a pass-through basis may choose to have entries arising from the use of Federal Reserve services posted to: (a) with the prior authorization of all parties concerned, the reserve account maintained by any institution at a Federal Reserve Bank, or (b) an account maintained for clearing purposes at a Federal Reserve Bank by the respondent.

(iii) Accounts at Federal Reserve Banks consisting only of respondents' reserve balances that are passed through by a correspondent to a Federal Reserve Bank may be used only for transactions of respondents. A correspondent will not be permitted to use such pass-through accounts for purposes other than serving its respondents' needs.

(iv) A correspondent may not apply for Federal Reserve credit on behalf of a respondent. Rather, a respondent should apply directly to its Federal Reserve Bank for credit. Any Federal Reserve credit obtained by a respondent may be credited, at the respondent's option and with the

approval of the parties concerned, to the reserve account in which its required reserves are maintained by a correspondent, to a clearing account maintained by the respondent, or to any account to which the respondent is authorized to post entries arising from the use of Federal Reserve services.

SECTION 204.4—TRANSITIONAL ADJUSTMENTS

The following transitional adjustments for computing Federal Reserve requirements shall apply to all member and nonmember depository institutions, except for reserves imposed under sections 204.5 and 204.6.

(a) **Nonmembers.** Except as provided below, the required reserves of a depository institution that was engaged in business on July 1, 1979, but was not a member of the Federal Reserve System on or after that date shall be determined by reducing the amount of required reserves computed under section 204.3 in accordance with the following schedule:

<i>Reserve maintenance periods occurring between</i>	<i>% that computed reserves will be reduced</i>
November, 13, 1980 to September 2, 1981	87.5
September 3, 1981 to September 1, 1982	75
September 2, 1982 to August 31, 1983	62.5
September 1, 1983 to September 5, 1984	50
September 6, 1984 to September 4, 1985	37.5
September 5, 1985 to September 3, 1986	25
September 4, 1986 to September 2, 1987	12.5
September 3, 1987 forward	0

However, an institution shall not reduce the amount of required reserves on any category of deposits or accounts that are first authorized under Federal law in any State after April 1, 1980.

(b) **Members and former members.** The required reserves of any depository institution that is a member bank on September 1, 1980, or was a member bank on or after July 1, 1979 and withdrew from membership before March 31, 1980, or withdraws from membership on or after March 31, 1980, shall be determined as follows:

(1) A depository institution whose required reserves are higher using the reserve ratios in effect during a given computation period (§ 204.9(a)) than its required reserves using the reserve ratios in effect on August 31, 1980 (§ 204.9(b)) (without regard to required reserves on any category of deposits or accounts that are first authorized under Federal law in any State after April 1, 1980):

(i) shall maintain the full amount of required reserves on any category of deposits or accounts that are first authorized under Federal law in any State after April 1, 1980; and

(ii) shall reduce the amount of its required reserves on all other deposits computed under section 204.3 by an amount determined by multiplying the amount by which required reserves computed under section 204.3 exceed the amount of required reserves computed using the reserve ratios that were in effect on August 31, 1980 (§ 204.9(b)), times the appropriate percentage specified below in accordance with the following schedule:

<i>Reserve maintenance periods occurring between</i>	<i>% applied to difference to compute amount to be subtracted</i>		
November 13, 1980 to September 2, 1981	75	September 3, 1981 to March 3, 1982	62.5
September 3, 1981 to September 1, 1982	50	March 4, 1982 to September 1, 1982	50
September 2, 1982 to August 31, 1983	25	September 2, 1982 to March 2, 1983	37.5
September 1, 1983 forward	0	March 3, 1983 to August 31, 1983	25
		September 1, 1983 to February 29, 1984	12.5
		March 1, 1984 forward	0

(c) **Certain nonmembers and branches and agencies of foreign banks.** The required reserves of a nonmember depository institution that was not engaged in business on or before July 1, 1979, but commenced business between July 2, 1979, and September 1, 1980, and any United States branch or agency of a foreign bank with total worldwide consolidated bank assets in excess of \$1 billion shall be determined by reducing the amount of its required reserves computed under section 204.3 in accordance with the following schedule:

<i>Reserve maintenance periods occurring between</i>	<i>% that computed reserves will be reduced</i>
November 13, 1980 to February 11, 1981	87.5
February 12 to May 13, 1981	75.0
May 14 to August 12, 1981	62.5
August 13 to November 11, 1981	50.0
November 12, 1981 to February 10, 1982	37.5
February 11 to May 12, 1982	25.0
May 13 to August 11, 1982	12.5
August 12, 1982 forward	0

However, an institution shall not reduce the amount of required reserves on any category of deposits or

accounts that are first authorized under Federal law in any State after April 1, 1980. An additional United States branch or agency of a foreign bank operating a branch or agency in the United States as of September 1, 1980, shall be entitled only to the remaining phase-in available to the existing U.S. branch or agency.

(d) **New members.** The required reserves of a nonmember depository institution that was engaged in business but was not a member bank during the period between July 1, 1979 and September 1, 1980, inclusive, and which becomes a member of the Federal Reserve System after September 1, 1980, shall be determined under paragraph (a) or (c), as applicable, as if it had remained a nonmember and adding to this amount an amount determined by multiplying the difference between its required reserves computed using the ratios specified in § 204.9(a) and its required reserves computed as if it had remained a nonmember times the percentage specified below in accordance with the following schedule:

<i>Maintenance periods occurring during successive quarters after becoming a member bank</i>	<i>% applied to difference to compute amount to be added</i>
1	12.5
2	25.0
3	37.5
4	50.0
5	62.5
6	75.0
7	87.5
8 and succeeding	100.0

(e) **De novo institutions.** (1) The required reserves of any depository institution that was not engaged in business on September 1, 1980, shall be computed under section 204.3 in accordance with the following schedule:

(2) A depository institution whose required reserves are lower using the reserve ratios in effect during a given computation period (§ 204.9(a)) than its required reserves computed using the reserve ratios in effect on August 31, 1980 (§ 204.9(b)) (without regard to required reserves on any category of deposits or accounts that are first authorized under Federal law in any State after April 1, 1980):

(i) shall maintain the full amount of required reserves on any category of deposits or accounts that are first authorized under Federal law in any State after April 1, 1980; and

(ii) shall increase the amount of its required reserves on all other deposits computed under section 204.3 by an amount determined by multiplying the amount by which required reserves computed using the reserve ratios that were in effect on August 31, 1980 (§ 204.8(b)), exceed the amount of required reserves computed under section 204.3, times the appropriate percentage specified below in accordance with the following schedule:

<i>Reserve maintenance periods occurring between</i>	<i>% applied to difference to compute amount to be added</i>
November 13, 1980 to September 2, 1981	75

<i>Maintenance periods occurring during successive quarters after entering into business</i>	<i>% of reserve requirement to be maintained</i>
1	40
2	45
3	50
4	55
5	65
6	75
7	85
8 and succeeding	100

after such date shall not maintain reserves imposed under this part against deposits held or maintained at its offices located in Hawaii until January 2, 1986. Beginning January 2, 1986, the required reserves on deposits held or maintained at offices located in Hawaii of such a depository institution shall be determined by reducing the amount of required reserves under § 201.3 in accordance with the following schedule:

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 between</i>	<i>% that reserves will be reduced</i>	<i>Maintenance periods occurring during quarterly periods following merger</i>	<i>% applied to difference to compute amount to be subtracted</i>
January 2 to December 31, 1986	87.5	1	87.5
January 1, 1987 to January 6, 1988	75	2	75.0
January 7, 1988 to January 4, 1989	62.5	3	62.5
January 5, 1989 to January 3, 1990	50	4	50.0
January 4, 1990 to January 2, 1991	37.5	5	37.5
January 3, 1991 to January 1, 1992	25	6	25.0
January 2, 1992 to January 6, 1993	12.5	7	12.5
January 7, 1993 forward	0	8 and succeeding	0

This paragraph shall also apply to a United States branch or agency of a foreign bank if such branch or agency is the foreign bank's first office in the United States. Additional branches or agencies of such a foreign bank shall be entitled only to the remaining phase-in available to the initial office.

(2) Notwithstanding subparagraph (1), the required reserves of any depository institution that:

(i) was not engaged in business on November 18, 1981; and

(ii) has \$50 million or more in daily average total transaction accounts, nonpersonal time deposits and Eurocurrency liabilities for any computation period after commencing business

shall be 100 percent of the required reserves computed under section 204.3 starting with the maintenance period that begins eight days after the computation period during which such institution has daily average total transaction accounts, nonpersonal time deposits and Eurocurrency liabilities of \$50 million or more.

(f) *Nonmember depository institutions with offices in Hawaii.* Any depository institution that, on August 1, 1978, was engaged in business as a depository institution in Hawaii, and was not a member of the Federal Reserve System at any time on or

(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, except that the amount of reserves which shall be maintained shall be reduced by an

(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 lia-

bilities, 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 204.9(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 204.9(a) without regard to the transitional adjustments of this section.

(iii) The low reserve tranche on transaction accounts (section 204.9(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 204.9(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 in-

involved in the merger or consolidation according to the ratio that daily average total required reserves of each depository institution involved in the merger was 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.

(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 exceed 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>% 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

SECTION 204.5—EMERGENCY RESERVE REQUIREMENT

(a) **Finding by Board.** The Board may impose, after consulting with the appropriate committees of Congress, additional reserve requirements on depository institutions at any ratio on any liability upon a finding by at least five members of the Board that extraordinary circumstances require such action.

(b) **Term.** Any action taken under

this section shall be valid for a period not exceeding 180 days, and may be extended for further periods of up to 180 days each by affirmative action of at least five members of the Board for each extension.

(c) **Reports to Congress.** The Board shall transmit promptly to Congress a report of any exercise of its authority under this paragraph and the reasons for the exercise of authority.

(d) **Reserve Requirements.** At present, there are no emergency reserve requirements imposed under this section.

SECTION 204.6—SUPPLEMENTAL RESERVE REQUIREMENT

(a) **Finding by Board.** Upon the affirmative vote of at least five members of the Board and after consultation with the Board of Directors of the Federal Deposit Insurance Corporation, the Federal Home Loan Bank Board, and the National Credit Union Administration Board, the Board may impose a supplemental reserve requirement on every depository institution of not more than 4 per cent of its total transaction accounts. A supplemental reserve requirement may be imposed if:

(1) the sole purpose of the requirement is to increase the amount of reserves maintained to a level essential for the conduct of monetary policy;

(2) the requirement is not imposed for the purpose of reducing the cost burdens resulting from the imposition of basic reserve requirements;

(3) such requirement is not imposed for the purpose of increasing the amount of balances needed for clearing purposes; and

(4) on the date on which supplemental reserve requirements are im-

posed, the total amount of basic reserve requirements is not less than the amount of reserves that would be required on transaction accounts and nonpersonal time deposits under the initial reserve ratios established by the Monetary Control Act of 1980 (Pub. L. 96-221) in effect on September 1, 1980.

(b) Term.

(1) If a supplemental reserve requirement has been imposed for a period of one year or more, the Board shall review and determine the need for continued maintenance of supplemental reserves and shall transmit annual reports to the Congress regarding the need for continuing such requirement.

(2) Any supplemental reserve requirement shall terminate at the close of the first 90-day period after the requirement is imposed during which the average amount of supplemental reserves required are less than the amount of reserves which would be required if the ratios in effect on September 1, 1980, were applied.

(c) Earnings Participation Account. A depository institution's supplemental reserve requirement shall be maintained by the Federal Reserve Banks in an Earnings Participation Account. Such balances shall receive earnings to be paid by the Federal Reserve Banks during each calendar quarter at a rate not to exceed the rate earned on the securities portfolio of the Federal Reserve System during the previous calendar quarter. Additional rules and regulations may be prescribed by the Board concerning the payment of earnings on Earnings Participation Accounts by Federal Reserve Banks.

(d) Report to Congress. The Board shall transmit promptly to the Congress a report stating the basis for exercising its authority to require a sup-

plemental reserve under this section.

(e) Reserve requirements. At present, there are no supplemental reserve requirements imposed under this section.

SECTION 204.7—PENALTIES

(a) Penalties for Deficiencies.

(1) Assessment of Penalties. Deficiencies in a depository institution's required reserve balance, after application of the 2 per cent carry-over provided in section 204.3(h) are subject to penalties. Federal Reserve Banks are authorized to assess penalties for deficiencies in required reserves at a rate of 2 per cent per year above the lowest rate in effect for borrowings from the Federal Reserve Bank on the first day of the calendar month in which the deficiencies occurred. Penalties shall be assessed on the basis of daily average deficiencies during each computation period. Reserve Banks may, as an alternative to levying monetary penalties, after consideration of the circumstances involved, permit a depository institution to eliminate deficiencies in its required reserve balance by maintaining additional reserves during subsequent reserve maintenance periods.

(2) Waivers. (i) Reserve Banks may waive the penalty for reserve deficiencies except when the deficiency arises out of a depository institution's gross negligence or conduct that is inconsistent with the principles and purposes of reserve requirements. Each Reserve Bank has adopted guidelines that provide for waivers of small penalties. The guidelines also provide for waiving the penalty once during a two-year period for any deficiency that does not exceed a certain percentage of the depository institution's required reserves. Decisions by Reserve Banks to waive penalties in other situations are based on an evaluation of the circum-

stances in each individual case and the depository institution's reserve maintenance record. If a depository institution has demonstrated a lack of due regard for the proper maintenance of required reserves, the Reserve Bank may decline to exercise the waiver privilege and assess all penalties regardless of amount or reason for the deficiency.

(ii) In individual cases, where a Federal supervisory authority waives a liquidity requirement, or waives the penalty for failing to satisfy a liquidity requirement, the Reserve Bank in the District where the involved depository institution is located shall waive the reserve requirement imposed under this Part for such depository institution when requested by the Federal supervisory authority involved.

(b) Penalties for Violations. Violations of this Part may be subject to assessment of civil money penalties by the Board under authority of section 19(1) of the Federal Reserve Act (12 U.S.C. § 505) as implemented in 12 CFR Part 263. In addition, the Board and any other Federal financial institution supervisory authority may enforce this Part with respect to depository institutions subject to their jurisdiction under authority conferred by law to undertake cease and desist proceedings.

SECTION 204.8—INTERNATIONAL BANKING FACILITIES

(a) Definitions. For purposes of this Part, the following definitions apply:

(1) "International banking facility" or "IBF" means a set of asset and liability accounts segregated on the books and records of a depository institution, United States branch or agency of a foreign bank, or an Edge or Agreement Corporation that includes only international banking facility time deposits and international banking facility extensions of credit.

(2) "International banking facility time deposit" or "IBF time deposit" means a deposit, placement, borrowing or similar obligation represented by a promissory note, acknowledgment of advance, or similar instrument that is not issued in negotiable or bearer form, and

(i) (A) that must remain on deposit at the IBF at least overnight; and

(B) that is issued to

(1) any office located outside the United States of another depository institution organized under the laws of the United States or of an Edge or Agreement Corporation;

(2) any office located outside the United States of a foreign bank;

(3) a United States office or a non-United States office of the entity establishing the IBF;

(4) another IBF; or

(5) an institution whose time deposits are exempt from interest rate limitations under section 217.3(g) of Regulation Q (12 CFR 217.3(g)); or

(ii) (A) that is payable

(1) on a specified date not less than two business days after the date of deposit;

(2) upon expiration of a specified period of time not less than two business days after the date of deposit; or

(3) upon written notice that actually is required to be given by the depositor not less than two business days prior to the date of withdrawal;

(B) that represents funds deposited to the credit of a non-United

States resident or a foreign branch, office, subsidiary, affiliate, or other foreign establishment ("foreign affiliate") controlled by one or more domestic corporations provided that such funds are used only to support the operations outside the United States of the depositor or of its affiliates located outside the United States; and

(C) that is maintained under an agreement or arrangement under which no deposit or withdrawal of less than \$100,000 is permitted, except that a withdrawal of less than \$100,000 is permitted if such withdrawal closes an account.

(3) "International banking facility extension of credit" or "IBF loan" means any transaction where an IBF supplies funds by making a loan, or placing funds in a deposit account. Such transactions may be represented by a promissory note, security, acknowledgment of advance, due bill, repurchase agreement, or any other form of credit transaction. Such credit may be extended only to

(i) any office located outside the United States of another depository institution organized under the laws of the United States or of an Edge or Agreement Corporation;

(ii) any office located outside the United States of a foreign bank;

(iii) a United States or a non-United States office of the institution establishing the IBF;

(iv) another IBF;

(v) an institution whose time deposits are exempt from interest rate limitations under section 217.3(g) of Regulation Q (12 CFR 217.3(g)); or

(vi) a non-United States resident or a foreign branch, office, subsidiary, affiliate or other foreign establishment ("foreign affiliate") controlled by one or more domestic corporations provided

that the funds are used only to finance the operations outside the United States of the borrower or of its affiliates located outside the United States.

(b) **Acknowledgment of use of IBF deposits and extensions of credit.** An IBF shall provide written notice to each of its customers (other than those specified in § 204.8(a)(2)(i)(B) and § 204.8(a)(3)(i) through (v)) at the time a deposit relationship or a credit relationship is first established that it is the policy of the Board of Governors of the Federal Reserve System that deposits received by international banking facilities may be used only to support the depositor's operations outside the United States as specified in § 204.8(a)(2)(ii)(B) and that extensions of credit by IBFs may be used only to finance operations outside of the United States as specified in § 204.8(a)(3)(vi). In the case of loans to or deposits from foreign affiliates of U.S. residents, receipt of such notice must be acknowledged in writing whenever a deposit or credit relationship is first established with the IBF.

(c) **Exemption from reserve requirements.** An institution that is subject to the reserve requirements of this Part is not required to maintain reserves against its IBF time deposits or IBF loans. Deposit-taking activities of IBFs are limited to accepting only IBF time deposits and lending activities of IBFs are restricted to making only IBF loans.

(d) **Establishment of an international banking facility.** A depository institution, an Edge or Agreement Corporation or a United States branch or agency of a foreign bank may establish an IBF in any location where it is legally authorized to engage in IBF business. However, only one IBF may be established for each reporting entity that is required to submit a Report of Transaction Accounts, Other Deposits and Vault Cash (Form FR 2900).

(e) **Notification to Federal Reserve.** At least fourteen days prior to the first reserve computation period that an insti-

tution intends to establish an IBF it shall notify the Federal Reserve Bank of the district in which it is located of its intent. Such notification shall include a statement of intention by the institution that it will comply with the rules of this Part concerning IBFs, including restrictions on sources and uses of funds, and recordkeeping and accounting requirements. Failure to comply with the requirements of this Part shall subject the institution to reserve requirements under this Part and to interest payment limitations that may be applicable under Regulation Q (12 CFR Part 217) on its IBF time deposits, or result in the revocation of the institution's ability to operate an IBF.

(f) **Recordkeeping requirements.** A depository institution shall segregate on its books and records the asset and liability accounts of its IBF and submit reports concerning the operations of its IBF as required by the Board.

STATUTORY APPENDIX

Section 19 of the Federal Reserve Act provides in part as follows:

(a) The Board is authorized for the purposes of this section to define the terms used in this section, to determine what shall be deemed a payment of interest, to determine what types of obligations, whether issued directly by a member bank or indirectly by an affiliate of a member bank or by other means, shall be deemed a deposit, and to prescribe such regulations as it may deem necessary to effectuate the purposes of this section and to prevent evasions thereof.

(b) Reserve Requirements.—

(1) **Definitions.** The following definitions and rules apply to this subsection, subsection (c), section 11A, the first paragraph of section 13, and the second, thirteenth, and fourteenth paragraphs of section 16:

(A) the term 'depository institution' means—

(i) any insured bank as defined in section 3 of the Federal Deposit Insurance Act or any bank which is eligible to make application to become an insured bank under section 5 of such Act;

(ii) any mutual savings bank as defined in section 3 of the Federal Deposit Insurance Act or any bank which is eligible to make application to become an insured bank under section 5 of such Act;

(iii) any savings bank as defined in section 3 of the Federal Deposit Insurance Act or any bank which is eligible to make application to become an insured bank under section 5 of such Act;

(iv) any insured credit union as defined in section 101 of the Federal Credit Union Act or any credit union which is eligible to make application to become an insured credit union pursuant to section 201 of such Act;

(v) any member as defined in section 2 of the Federal Home Loan Bank Act;

(vi) any insured institution as defined in section 401 of the National Housing Act or any institution which is eligible to make application to become an insured institution under section 403 of such Act; and

(vii) for the purpose of section 13 and the fourteenth paragraph of section 16, any association or entity which is wholly owned by or which consists only of institutions referred to in clauses (i) through (vi).

(B) The term 'bank' means any insured or noninsured bank, as defined in section 3 of the Federal Deposit Insurance Act, other than a mutual savings bank or a savings

bank as defined in such section.

(C) The term 'transaction account' means a deposit or account on which the depositor or account holder is permitted to make withdrawals by negotiable or transferable instrument, payment orders of withdrawal, telephone transfers, or other similar items for the purpose of making payments or transfers to third persons or others. Such term includes demand deposits, negotiable order of withdrawal accounts, saving deposits subject to automatic transfers, and share draft accounts.

(D) The term 'nonpersonal time deposits' means a transferable time deposit or account or a time deposit or account representing funds deposited to the credit of, or in which any beneficial interest is held by, a depositor who is not a natural person.

(E) In order to prevent evasions of the reserve requirements imposed by this subsection, after consultation with the Board of Directors of the Federal Deposit Insurance Corporation, the Federal Home Loan Bank Board, and the National Credit Union Administration Board, the Board of Governors of the Federal Reserve System is authorized to determine, by regulation or order, that an account or deposit is a transaction account if such account or deposit may be used to provide funds directly or indirectly for the purpose of making payments or transfers to third persons or others.

(2) Reserve requirements.

(A) Each depository institution shall maintain reserves against its transaction accounts as the Board may prescribe by regulation solely for the purpose of implementing monetary policy—

(i) in the ratio of 3 per centum for that portion of its total transaction accounts of \$25,000,000 or less,

subject to subparagraph (C); and

(ii) in the ratio of 12 per centum, or in such other ratio as the Board may prescribe not greater than 14 per centum and not less than 8 per centum, for that portion of its total transaction accounts in excess of \$25,000,000, subject to subparagraph (C).

(B) Each depository institution shall maintain reserves against its nonpersonal time deposits in the ratio of 3 per centum, or in such other ratio not greater than 9 per centum and not less than zero per centum as the Board may prescribe by regulation solely for the purpose of implementing monetary policy.

(C) Beginning in 1981, not later than December 31 of each year the Board shall issue a regulation increasing for the next succeeding calendar year the dollar amount which is contained in subparagraph (A) or which was last determined pursuant to this subparagraph for the purpose of such subparagraph, by an amount obtained by multiplying such dollar amount by 80 per centum of the percentage increase in the total transaction accounts of all depository institutions. The increase in such transaction accounts shall be determined by subtracting the amount on such accounts on June 30 of the preceding calendar year from the amount of such accounts on June 30 of the calendar year involved. In the case of any such 12-month period in which there has been a decrease in the total transaction accounts of all depository institutions, the Board shall issue such a regulation decreasing for the next succeeding calendar year such dollar amount by an amount obtained by multiplying such dollar amount by 80 per centum of the percentage decrease in the total transaction accounts of all depository institutions. The decrease in such transaction accounts shall be determined by sub-

tracting the amount of such accounts on June 30 of the calendar year involved from the amount of such accounts on June 30 of the previous calendar year.

(D) Any reserve requirement imposed under this subsection shall be uniformly applied to all transaction accounts at all depository institutions. Reserve requirements imposed under this subsection shall be uniformly applied to nonpersonal time deposits at all depository institutions, except that such requirements may vary by the maturity of such deposits.

(3) Waiver of ratio limits in extraordinary circumstances. Upon a finding by at least 5 members of the Board that extraordinary circumstances require such action, the Board, after consultation with the appropriate committees of the Congress, may impose, with respect to any liability of depository institutions, reserve requirements outside the limitations as to ratios and as to types of liabilities otherwise prescribed by paragraph (2) for a period not exceeding 180 days, and for further periods not exceeding 180 days each by affirmative action by at least 5 members of the Board in each instance. The Board shall promptly transmit to the Congress a report of any exercise of its authority under this paragraph and the reasons for such exercise of authority.

(4) Supplemental reserves.

(A) The Board may, upon the affirmative vote of not less than 5 members, impose a supplemental reserve requirement on every depository institution of not more than 4 per centum of its total transaction accounts. Such supplemental reserve requirement may be imposed only if—

(i) the sole purpose of such requirement is to increase the amount of reserves maintained to a level

essential for the conduct of monetary policy;

(ii) such requirement is not imposed for the purpose of reducing the cost burdens resulting from the imposition of the reserve requirements pursuant to paragraph (2);

(iii) such requirement is not imposed for the purpose of increasing the amount of balances needed for clearing purposes; and

(iv) on the date on which the supplemental reserve requirements is imposed, the total amount of reserves required pursuant to paragraph (2) is not less than the amount of reserves that would be required if the initial ratios specified in paragraph (2) were in effect.

(B) The Board may require the supplemental reserve authorized under subparagraph (A) only after consultation with the Board of Directors of the Federal Deposit Insurance Corporation, the Federal Home Loan Bank Board, and the National Credit Union Administration Board. The Board shall promptly transmit to the Congress a report with respect to any exercise of its authority to require supplemental reserves under subparagraph (A) and such report shall state the basis for the determination to exercise such authority.

(C) The supplemental reserve authorized under subparagraph (A) shall be maintained by the Federal Reserve Banks in an Earnings Participation Account. Except as provided in subsection (c)(1)(A)(ii), such Earnings Participation Account shall receive earnings to be paid by the Federal Reserve Banks during each calendar quarter at a rate not more than the rate earned on the securities portfolio of the Federal Reserve System during the previous calendar quarter. The Board may prescribe rules and regulations concerning the

payment of earnings on Earnings Participation Accounts by Federal Reserve Banks under this paragraph.

(D) If a supplemental reserve under subparagraph (A) has been required of depository institutions for a period of one year or more, the Board shall review and determine the need for continued maintenance of supplemental reserves and shall transmit annual reports to the Congress regarding the need, if any, for continuing the supplemental reserve.

(E) Any supplemental reserve imposed under subparagraph (A) shall terminate at the close of the first 90-day period after such requirement is imposed during which the average amount of reserves required under paragraph (2) are less than the amount of reserves which would be required during such period if the initial ratios specified in paragraph (2) were in effect.

(5) Reserves related to foreign obligations or assets. Foreign branches, subsidiaries, and international banking facilities of non-member depository institutions shall maintain reserves to the same extent required by the Board of foreign branches, subsidiaries, and international banking facilities of member banks. In addition to any reserves otherwise required to be maintained pursuant to this subsection, any depository institution shall maintain reserves in such ratios as the Board may prescribe against—

(A) net balances owned by domestic offices of such depository institution in the United States to its directly related foreign offices and to foreign offices of nonrelated depository institutions;

(B) loans to United States residents made by overseas offices of such depository institution if such depository institution has one or

more offices in the United States; and

(C) assets (including participations) held by foreign offices of a depository institution in the United States which were acquired from its domestic offices.

(6) Exemption for certain deposits. The requirements imposed under paragraph (2) shall not apply to deposits payable only outside the States of the United States and the District of Columbia, except that nothing in this subsection limits the authority of the Board to impose conditions and requirements on member banks under section 25 of this Act or the authority of the Board under section 7 of the International Banking Act of 1978 (12 U.S.C. 3105).

(7) Discount and borrowing. Any depository institution in which transaction accounts or nonpersonal time deposits are held shall be entitled to the same discount and borrowing privileges as member banks. In the administration of discount and borrowing privileges, the Board and the Federal Reserve Banks shall take into consideration the special needs of savings and other depository institutions for access to discount and borrowing facilities consistent with their long-term asset portfolios and the sensitivity of such institutions to trends in the national money markets.

(8) Transitional adjustments.

(A) Any depository institution required to maintain reserves under this subsection which was engaged in business on July 1, 1979, but was not a member of the Federal Reserve System on or after that date, shall maintain reserves against its deposits during the first twelve-month period following the effective date of this paragraph in

amounts equal to one-eighth of those otherwise required by this subsection, during the second such twelve-month period in amounts equal to one-fourth of those otherwise required, during the third such twelve-month period in amounts equal to three-eighths of those otherwise required, during the fourth twelve-month period in amounts equal to one-half of those otherwise required, and during the fifth twelve-month period in amounts equal to five-eighths of those otherwise required, during the sixth twelve-month period in amounts equal to three-fourths of those otherwise required, and during the seventh twelve-month period in amounts equal to seven-eighths of those otherwise required. This subparagraph does not apply to any category of deposits or accounts which are first authorized pursuant to Federal law in any State after April 1, 1980.

(B) With respect to any bank which was a member of the Federal Reserve System during the entire period beginning on July 1, 1979, and ending on the effective date of the Monetary Control Act of 1980, the amount of required reserves imposed pursuant to this subsection on and after the effective date of such Act that exceeds the amount of reserves which would have been required of such bank if the reserve ratios in effect during the reserve computation period immediately preceding such effective date were applied may, at the discretion of the Board and in accordance with such rules and regulations as it may adopt, be reduced by 75 per centum during the first year which begins after such effective date, 50 per centum during the second year, and 25 per centum during the third year.

(C)(i) With respect to any bank which is a member of the Federal Reserve System on the effective date of the Monetary Control

Act of 1980, the amount of reserves which would have been required of such bank if the reserve ratios in effect during the reserve computation period immediately preceding such effective date were applied that exceeds the amount of required reserves imposed pursuant to this subsection shall, in accordance with such rules and regulations as the Board may adopt, be reduced by 25 per centum during the first year which begins after such effective date, 50 per centum during the second year, and 75 per centum during the third year.

(ii) If a bank becomes a member bank during the four-year period beginning on the effective date of the Monetary Control Act of 1980, and if the amount of reserves which would have been required of such bank, determined as if the reserve ratios in effect during the reserve computation period immediately preceding such effective date were applied, and as if such bank had been a member during such period, exceeds the amount of reserves required pursuant to this subsection, the amount of reserves required to be maintained by such bank beginning on the date on which such bank becomes a member of the Federal Reserve System shall be the amount of reserves which would have been required of such bank if it had been a member on the day before such effective date, except that the amount of such excess shall, in accordance with such rules and regulations as the Board may adopt, be reduced by 25 per centum during the first year which begins after such effective date, 50 per centum during the second year, and 75 per centum during the third year.

(D)(i) Any bank which was a member bank on July 1, 1979, and which withdraws from membership in the Federal Reserve System during the period beginning on July 1, 1979,

and ending on the day before the date of enactment of the Depository Institutions Deregulation and Monetary Control Act of 1980, shall maintain reserves beginning on such date of enactment in an amount equal to the amount of reserves it would have been required to maintain if it had been a member bank on such date of enactment. After such date of enactment, any such bank shall maintain reserves in the same amounts as member banks are required to maintain under this subsection, pursuant to subparagraphs (B) and (C)(i).

(ii) Any bank which withdraws from membership in the Federal Reserve System on or after the date of enactment of the Depository Institutions Deregulation and Monetary Control Act of 1980, shall maintain reserves in the same amount as member banks are required to maintain under this subsection, pursuant to subparagraphs (B) and (C)(i).

(E) This subparagraph applies to any depository institution that, on August 1, 1978, (i) was engaged in business as a depository institution in a State outside the continental limits of the United States, and (ii) was not a member of the Federal Reserve System at any time on or after such date. Such a depository institution shall not be required to maintain reserves against its deposits held or maintained at its offices located in a State outside the continental limits of the United States until the first day of the sixth calendar year which begins after the effective date of the Monetary Control Act of 1980. Such a depository institution shall maintain reserves against such deposits during the sixth calendar year which begins after such effective date in an amount equal to one-eighth of that otherwise required by paragraph (2), during the seventh such year in an amount equal to one-fourth of that otherwise required, during the eighth such year in an amount

equal to three-eighths of that otherwise required, during the ninth such year in an amount equal to one-half of that otherwise required, during the tenth such year in an amount equal to five-eighths of that otherwise required, during the eleventh such year in an amount equal to three-fourths of that otherwise required, and during the twelfth such year in an amount equal to seven-eighths of that otherwise required.

(9) Exemption. This subsection shall not apply with respect to any financial institution which—

(A) is organized solely to do business with other financial institutions;

(B) is owned primarily by the financial institutions with which it does business; and

(C) does not do business with the general public.

(10) Waivers. In individual cases, where a Federal supervisory authority waives a liquidity requirement, or waives the penalty for failing to satisfy a liquidity requirement, the Board shall waive the reserve requirement, or waive the penalty for failing to satisfy a reserve requirement, imposed pursuant to this subsection for the depository institution involved when requested by the Federal supervisory authority involved.

(c)(1) Reserves held by a depository institution to meet the requirements imposed pursuant to subsection (b) shall, subject to such rules and regulations as the Board shall prescribe, be in the form of—

(A) balances maintained for such purposes by such depository institution in the Federal Reserve Bank of which it is a member or at which it maintains an account, except that (i) the Board may, by regulation or order, permit depository institutions

to maintain all or a portion of their required services in the form of vault cash, except that any portion so permitted shall be identical for all depository institutions, and (ii) vault cash may be used to satisfy any supplemental reserve requirement imposed pursuant to subsection (b)(4), except that all such vault cash shall be excluded from any computation of earnings pursuant to subsection (b)(4)(C); and

(B) balances maintained by a depository institution which is not a member bank in a depository institution which maintains required reserve balances at a Federal Reserve Bank, in a Federal Home Loan Bank, or in the National Credit Union Administration Central Liquidity Facility, if such depository institution, Federal Home Loan Bank, or National Credit Union Administration Central Liquidity Facility maintains such funds in the form of balances in a Federal Reserve Bank of which it is a member or at which it maintains an account. Balances received by a depository institution from a second depository institution and used to satisfy the reserve requirement imposed on such second depository institution by this section shall not be subject to the reserve requirements of this section imposed on such first depository institution, and shall not be subject to assessments or reserves imposed on such first depository institution pursuant to section 7 of the Federal Deposit Insurance Act (12 U.S.C. 1817), section 404 of the National Housing Act (12 U.S.C. 1727), or section 202 of the Federal Credit Union Act (12 U.S.C. 1782).

(2) The balances maintained to meet the reserve requirements of subsection (b) by depository institution in a Federal Reserve Bank or passed through a Federal Home Loan Bank or the National Credit Union Administration Central Liquidity Facility or another depository institution to a Federal Reserve Bank may be used

to satisfy liquidity requirements which may be imposed under other provisions of Federal or State law.

[U.S.C., title 12, sec. 461.]

* * * * *

(f) The required balance carried by a member bank with a Federal Reserve Bank may, under the regulations and subject to such penalties as may be prescribed by the Board of Governors of the Federal Reserve System, be checked against and withdrawn by such member bank for the purpose of meeting existing liabilities.

[U.S.C., title 12, sec. 464.]

(g) In estimating the reserve balances required by this Act, member banks may deduct from the amount of their gross demand deposits the amounts of balances due from other banks (except Federal Reserve Banks and foreign banks) and cash items in process of collection payable immediately upon presentation in the United States, within the meaning of these terms as defined by the Board of Governors of the Federal Reserve System.

[U.S.C., title 12, sec. 465.]

Section 11 of the Federal Reserve Act provides, in part, as follows:

The Board of Governors of the Federal Reserve System shall be authorized and empowered:

* * * * *

(c) To suspend for a period not exceeding thirty days, and from time to time to renew such suspensions for periods not exceeding fifteen days, any reserve requirements specified in this Act.

[U.S.C., title 12, sec. 248(c).]

* * * * *

(e) To add to the number of cities classified as reserve cities under existing law in which national banking associations are subject to the reserve requirements set forth in section [nineteen] of this Act; or to reclassify existing reserve cities or to terminate their designation as such.

[U.S.C., title 12, sec. 248(e).]

* * * * *

Section 25 of the Federal Reserve Act provides, in part, as follows:

1. Capital and surplus required to exercise powers

Sec. 25. Any national banking association possessing a capital and surplus of \$1,000,000 or more may file application with the Board of Governors of the Federal Reserve System for permission to exercise, upon such conditions and under such regulations as may be prescribed by the said board, the following powers:

[U.S.C., title 12, sec. 601.]

Section 25(a) of the Federal Reserve Act provides, in part, as follows:

6. Banking powers

(a) To purchase, sell, discount, and negotiate, with or without its endorsement or guaranty, notes, drafts, checks, bills of exchange, acceptances, including bankers' acceptances, cable transfers, and other evidences of indebtedness; to purchase and sell with or without its indorsement or guaranty, securities, including the obligations of the United States or of any State thereof but not including shares of stock in any corporation except as herein provided; to accept bills or drafts drawn upon it subject to such limitations and restrictions as the Board of Governors of the Federal Reserve

System may impose; to issue letters of credit; to purchase and sell coin, bullion, and exchange; to borrow and to lend money; to issue debentures, bonds, and promissory notes under such general conditions as to

security and such limitations as the Board of Governors of the Federal Reserve System may prescribe; to receive deposits outside of the United States and to receive only such deposits within the United States as

may be incidental to or for the purpose of carrying out transactions in foreign countries or dependencies or insular possessions of the United States; and generally to exercise such powers as are incidental to the

SUPPLEMENT TO REGULATION D

As amended effective for reserves required to be maintained during the seven-day period beginning November 13, 1980, against deposits outstanding during the seven-day period beginning on October 30, 1980.

SECTION 204.9—RESERVE REQUIREMENT RATIOS

(a) **Reserve percentages.** The following reserve ratios are prescribed for all depository institutions, Edge and Agreement Corporations and United States branches and agencies of foreign banks:

Category	Reserve Requirements
<i>Net transaction accounts</i>	
\$0-\$26 million	3% of amount
Over \$26 million	\$780,000 plus 12% of amount over \$26 million
<i>Nonpersonal time deposits</i>	
By original maturity (or notice period)	
less than 3½ years	3%
3½ years or more	0%
<i>Eurocurrency liabilities</i>	3%

(b) **Reserve ratios in effect during last computation period prior to September 1, 1980.**

Category	Reserve Requirement
<i>Net Demand Deposits</i>	
Deposit Tranche:	
0-\$2 million	7%
over \$2 million-\$10 million	\$140,000 + 9½% of amount over \$2 million
over \$10 million-\$100 million	\$900,000 + 11¾% of amount over \$10 million
over \$100 million-\$400 million	\$11,475,000 + 12¾% of amount over \$100 million
over \$400 million	\$49,725,000 + 16¼% of amount over \$400 million
<i>Savings deposits</i>	3%

Time deposits

(subject to 3% minimum specified by law)

By initial maturity:

Less than 180 days	
\$0-5 million	3%
over \$5 million	6%
180 days to 4 years	2½%
4 years or more	1%

Accounts authorized pursuant to Section 303 of Public Law 96-221 offered by member banks located in States outside Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island and Vermont 12%

Club accounts 3%

powers conferred by this Act or as may be usual, in the determination of the Board of Governors of the Federal Reserve System, in connection with the transaction of the business of banking or other finan-

cial operations in the countries, colonies, dependencies, or possessions in which it shall transact business and not inconsistent with the powers specifically granted herein. Nothing contained in this section shall be

construed to prohibit the Board of Governors of the Federal Reserve System, under its power to prescribe rules and regulations, from limiting the aggregate amount of liabilities of any or all classes incurred by the

corporation and outstanding at any one time. Whenever a corporation organized under this section receives deposits in the United States authorized by this section it shall carry reserves in such amounts as the Board of Governors of the Federal Reserve System may prescribe for member banks of the Federal Reserve System.

[U.S.C., title 12, sec. 615.]

Section 7 of the International Banking Act of 1978 provides, in part, as follows:

Sec. 7 (a)(1)(A) except as provided in paragraph (2) of this subsection, subsections (a), (b), (c), (d), (f), (g), (i), (j), (k), and the second sentence of subsection (e) of section 19 of the Federal Reserve Act shall apply to every Federal branch and Federal agency of a foreign bank in the same manner and to the same extent as if the Federal branch or Federal agency were a member bank as that term is defined in section 1 of the Federal Reserve Act; but the Board either by general or specific regulation or ruling may waive the minimum and maximum reserve ratios prescribed under section 19 of

the Federal Reserve Act and may prescribe any ratio, not more than 22 per centum, for any obligation of any such Federal branch or Federal agency that the Board may deem reasonable and appropriate, taking into consideration the character of business conducted by such institutions and the need to maintain vigorous and fair competition between and among such institutions and member banks. The Board may impose reserve requirements on Federal branches and Federal agencies in such graduated manner as it deems reasonable and appropriate.

(B) After consultation and in cooperation with the State bank supervisory authorities, the Board may make applicable to any State branch or State agency any requirement made applicable to, or which the Board has authority to impose upon, any Federal branch or agency under subparagraph (A) of this paragraph.

(2) A branch or agency shall be subject to this subsection only if (A) its parent foreign bank has total worldwide consolidated bank assets in excess of \$1,000,000,000; (B) its

parent foreign bank is controlled by a foreign company which owns or controls foreign banks that in the aggregate have total worldwide consolidated bank assets in excess of \$1,000,000,000; or (C) its parent foreign bank is controlled by a group of foreign companies that own or control foreign banks that in the aggregate have total worldwide consolidated bank assets in excess of \$1,000,000,000.

[U.S.C., title 12, sec. 3105.]

For purposes of computing the reserves under this Part, that would have been required using the reserve ratios that were in effect on August 31, 1980, the reserve ratio on time deposits of a member bank shall be the average time deposit ratio of the member bank during the 14-day period ending August 6, 1980, except that the reserve ratio on time deposits of a nonmember bank that was a member bank on or after July 1, 1979, but which became a nonmember bank before March 31, 1980, may be the average time deposit ratio of the nonmember during the 14-day period ending August 27, 1980.

APPENDIX B

Questions and Answers About Regulation D

NONTRANSFERABILITY

Definition and Application

Q1. What does "Not Transferable" mean?

A. "Not Transferable" means that a time deposit may not be transferred by the named depositor *except* in the following ways:

1. a change in ownership that is reflected on the books or records of the institution;
2. a pledge as collateral for a loan; or
3. a transaction that occurs due to circumstances arising from death, incompetency, marriage, divorce, attachment, or otherwise by operation of law.

In other words, in addition to pledges and transfers by operation of law, any transaction that is reflected on the books of the institution (thus giving the institution an opportunity to reclassify the deposit, if necessary, as personal/nonpersonal for reserve reporting purposes) *is* permissible. The following examples of legends concerning transferability may be used:

1. "Not Transferable."
2. "Transferable only on the records of the institution."
3. "Transferable only with the permission of the institution."
4. "Not transferable except as collateral for a loan or as otherwise permitted by regulations of the Federal Reserve Board."

The following statements will *not* satisfy the requirement concerning nontransferability:

1. Not Assignable.

2. Not Negotiable.

Q2. Explain the difference between "nontransferable" and "non-negotiable."

A. A negotiable instrument is one which a buyer may take free of most defenses that the debtor on the instrument has against the original creditor. For example, if a salesman accepts a promissory note in exchange for a product, and the product is defective, the buyer may refuse to pay the salesman when the note becomes due; however, if the salesman sells the note to another person and the note is negotiable, then the buyer's contention that the product is defective may not, in and of itself, be a successful defense to an action for payment brought by the third person. Negotiability is concerned simply with the cutting off of defenses. A nonnegotiable instrument can be transferred; the difference is that the buyer of the instrument is subject to the same defenses to which the original creditor was subject. A person who is willing to accept the risk of those defenses is willing to buy a nonnegotiable instrument as well as a negotiable one. The Board of Governors is concerned that if transferability were not prohibited, a secondary market in nonnegotiable certificates of deposit might develop in order to avoid reserve requirements, and that nonreservable personal time deposits would be sold to corporations. Such a practice could have an adverse impact upon the effectiveness of monetary policy.

Q3. Does an institution have to notify its customers who have accounts outstanding prior to October 1, 1980, of the new nontransferability provision of the regulation?

A. No. Deposits issued to natural persons before October 1, 1980, do not have to be nontransferable to be

regarded as personal time deposits. However, if an institution modifies its existing contracts to make such accounts nontransferable, then it should notify its depositors of the change.

Nontransferability Legend

Q4. Do NOW account statements need a nontransferability legend?

A. No. NOW accounts are transaction accounts which are reservable even if held by a natural person. Transaction accounts need not have the nontransferable legend on any document.

Q5. Passbook savings accounts opened prior to October 1, 1980, need not have a nontransferability legend placed on them at the time of opening. Does the legend need to be stamped on such accounts if deposits are made after October 1?

A. No. Any personal savings or time deposit account originally issued before October 1, does not have to carry a legend concerning transferability on any document evidencing its existence, even if additional deposits are made to the account or the deposit is automatically renewed after October 1, 1980.

Q6. The legend need not be placed on a time deposit issued before October 1 that is automatically rolled-over after that date. If the institution sends a letter to the depositor reminding him of the upcoming roll-over, must the letter indicate nontransferability?

A. No. However, if the institution issues a new certificate to the depositor when the old one matures, the term nontransferable must appear on the deposit.

Q7. *Can depository institutions stamp the words "nonnegotiable and nonassignable," rather than "nontransferable," on time and savings deposits documents?*

A. No. It appears that in some jurisdictions transfers may be made that are not considered assignments. Therefore, "nonassignable" may not be used in place of "nontransferable." The inclusion of other words along with "nontransferable" is permissible so long as the latter term is not conditioned by the other words. "Nonnegotiable" may be added to the legend but may not be used as a substitute for "nontransferable."

Q8. *In order for a deposit issued to a natural person on or after October 1, 1980, to be considered a personal time deposit, where must the legend regarding nontransferability appear?*

- A.**
1. For certificates of deposit or share certificates, it must appear on the certificate itself.
 2. For passbook accounts, it must be on the passbook itself.
 3. For any time or savings deposit not evidenced by a certificate or passbook, it must be on the agreement or contract which evidences the account if a copy of the agreement or contract is given to the customer when the account is opened.

A legend of nontransferability is *not* required on any periodic statements where such legend appears on a certificate, passbook, contract or agreement given to the depositor. For any time or savings deposit not evidenced by a certificate or passbook, if a copy of the agreement is not given to the customer, then the nontransferability legend must be on periodic statements sent to the customer. The legend does not have to appear on the following: deposit slips, teller receipts, club ac-

count coupons, identification cards, IRS Form 1099, and signature cards and other documents retained by the depository institution as its own records.

Q9. *If a time or savings deposit is not evidenced by a certificate or passbook, may the nontransferability legend appear on a disclosure statement given to the depositor by the institution at the time of opening the account?*

A. Yes, under such circumstances the nontransferability legend may appear in a disclosure statement required by Federal or State law or regulation that sets forth the terms of the deposit account.

Q10. *Personal savings and time accounts for which depositors receive only monthly statements rather than passbooks or certificates of deposit are required to include the legend concerning nontransferability on the periodic statement if no contract, agreement or disclosure statement required by law is given to the depositor carrying the nontransferability legend. Instead of placing the legend on the statement itself, may the legend appear in a separate piece of paper mailed to the depositor along with the monthly statement?*

A. No, the nontransferability legend must appear on a document representing the account such as a certificate, passbook, contract, disclosure statement, or periodic statement. A separate piece of paper enclosed with the monthly statement would not be a document representing the account.

Q11. *An institution issues a monthly statement to its natural person depositor on which is reported the balance in a transaction account, as well as the balance in a personal savings or time deposit account. Need the statement have the nontransferability legend?*

A. Yes, unless the depositor previously received a copy of the deposit contract or disclosure statement with the legend. If the statement indicates funds held in a personal savings or time deposit account, it must state that such account is nontransferable even though other types of accounts are also listed.

Miscellaneous

Q12. *Are Holiday Club accounts considered to be transferable if the depository institution has accepted an instruction to send the payment check to a third party?*

A. So long as the instruction is received at the time of withdrawal, transmittal of a payment check for a Holiday Club account to a third party does not constitute a transfer. This is the equivalent of closing a time or savings account and remitting the proceeds to someone other than the depositor. If the instruction were accepted at the opening of the account, then the depositor is presumed to have a transferable deposit.

Q13. *Six-month money market certificates are required by Regulation Q to be nonnegotiable. May the nonnegotiability requirement be omitted from such certificates if they state that they are nontransferable?*

A. Yes

Q14. *A personal time deposit may be transferred under Regulation D if the depository institution either changes the name of the account holder on its books or issues a replacement deposit instrument with the new owners' name. If the depository institution takes either of these actions, does this constitute an early withdrawal of a time deposit under Regulation Q?*

A. No. Under existing Board interpretations, the sale by a depositor of his other time deposits does not constitute early withdrawal and the depository institution may record that transfer on its books without having to treat the transfer as an early withdrawal. The principal, maturity, and interest rate of the deposit must be unchanged.

TRANSACTION ACCOUNTS

Definition and Application

Q1. *Are savings accounts subject to ACH debits and credits included in the definition of transaction accounts?*

A. Under the definition of "transaction account," (section 204.2(e)(6)) orders received from an automated clearing house (ACH) to debit an account constitute preauthorized transfers. Such an account must be treated as a transaction account unless the deposit contract limits the number of such debits to three per month and it is the practice of the institution to limit such transfers to no more than three. If credits only may be made to the account, then it is not a transaction account, regardless of the number of credits made per month.

Q2. *If a customer has a savings account from which no third party or automatic withdrawals are permissible except for a weekly transfer to the depositor's club account, is that savings account a transaction account?*

A. Yes. The weekly transfer falls within the definition of a preauthorized transfer. If the account were limited to three such transactions per month, then the account would not be treated as a transaction account. In this case, if the deduction were made every two weeks, then the three-transfer-per-month limitation could be met.

Q3. *Money market certificate owners are often allowed to have their interest credited periodically by the institution to another account. Does that make the certificate a transaction account?*

A. No. The crediting of interest earned on one account to another account is not a "transfer" from the account on which the interest was earned.

Q4. *Is a savings account a transaction account merely because a depositor is permitted to mail a request to an institution to transfer funds to a third party?*

A. No. The Board of Governors has always treated letter requests as the functional equivalent to the depositor coming into the banking office; thus, the ability to make transfers from a personal account in response to a letter mail request does not make that account a transaction account. *Transfers in response to requests by telephone or other electronic means are not covered by this rule; the capability to make such transfers may cause the account to be a transaction account.*

Q5. *Does an account which by its terms or pursuant to an agreement permits transfers to a checking, NOW, or share draft account to cover occasional overdrafts fall within the definition of transaction account?*

A. A number of institutions have entered into agreements with their customers providing that in the event the customer should overdraw a checking, NOW, or share draft account, the institution will transfer from that customer's savings account an amount sufficient to cover the overdraft. Under Regulation D, an account, including a regular savings account or regular share account, is considered to be a transaction account, if under its terms, or by practice of the depository institution, the depositor is

permitted or authorized to make more than three withdrawals per month for purposes of transferring funds to another account or for making a payment to a third party by means of a preauthorized or telephone agreement, order, or instruction. The availability of the overdraft protection plan that is described above would not in and of itself require that the savings account or share account from which transfers could be made be regarded as a transaction account if no more than three such transfers are permitted or authorized in a calendar month. If, however, more than three transfers from a savings account not otherwise regarded as a transaction account are permitted, or if the plan is promoted as something other than overdraft protection, then the savings account would be regarded as a transaction account and the entire balance in the account would be subject to transaction account reserve requirements.

Q6. *Is a savings account a transaction account by virtue of transfers being made into the account by telephone or preauthorized order?*

A. No. The fact that transfers are made into an account does not make that account a transaction account.

Q7. *If under the terms of a savings account, a depositor appearing at the depository institution is permitted to withdraw funds in the form of a cashier's or officer's check, endorse the check and redeposit the funds in an account of another person at the same institution, would such an account be considered a transaction account?*

A. No. The ability of depositor to make withdrawals from an account by appearing at the institution in person does not render an account a transaction account regardless of the manner of payment of the with-

drawal to the depositor. In this regard, an account would not be a transaction account merely because a depositor appearing in person at the institution can withdraw funds directly in the form of cash, check (even if made payable to a third party), money order, or travelers' checks. Note, however, that, if a depositor is able to transfer funds from his savings account through an ATM or RSU to another person's account at the institution, that savings account is a transaction account.

Q8. *Many institutions offer their depositors "prestige cards" which allow the depositors to withdraw funds from their savings accounts by filling out a withdrawal slip at another institution. This type of service is also known as "traveler's convenience." The institution disbursing the funds sends the withdrawal slip to the depositor's institution and obtains payment through the collection process. Does this service make the savings account a transaction account?*

A. No. The transaction is viewed simply as the depositor making a direct withdrawal from his savings account.

Q9. *A depositor with a savings account leaves a supply of deposit slips with the depository institution. The deposit slips are for a checking account held by the depositor at another depository institution. The depositor telephones the institution from time to time and requests that funds be withdrawn from his savings account in the form of a check and that the check, along with the deposit slip, be mailed or delivered to the institution holding his checking account. In some instances the depositor may have standing instructions with the institution to mail or deliver funds at certain intervals. Does this practice make that savings*

account a transaction account?

A. Yes. The capability of making such telephone or preauthorized transfers could render an account a transaction account since the transfer is made to a third party, i.e. the depository institution at which the checking account is maintained. However, if such transfers were limited to three or less per calendar month (and the account did not otherwise meet the definition of a transaction account) then the account would not be regarded as a transaction account.

Q10. *How is a depository institution to treat compensating balances of the United States Government kept in Treasury Tax and Loan deposit accounts?*

A. If the deposit is subject to immediate withdrawal by the Government, then it must be treated as a demand deposit of the Government and reserved against as a transaction account. Note balances in TT&L accounts are exempt from reserves and other funds received from the U.S. Government in the form of borrowings, rather than deposits, are exempt from reserves.

Three Transfers Per Calendar Month Rule

(A "Calendar Month" includes any statement cycle or similar period of at least 4 weeks.)

Q11. *If a depository institution permits ACH debits to an account and does not limit the number of such debits by contract to three per calendar month, is the account regarded as a transaction account?*

A. Yes. A depository institution must regard an account that may permit

in excess of three ACH debits per month as a transaction account even though three or fewer transfers per calendar month actually are being made. Since ACH debits are regarded as preauthorized transfers, they must be limited to three or fewer per calendar month in order for the account not to be regarded as a transaction account.

Q12. *Regulation E—Electronic Funds Transfers (12 CFR Part 205) requires that amendments to certain account agreements cannot be effective unless the customer is given 21 days' written notice. If a depository institution desires to amend its account agreement to limit the number of preauthorized or telephone transfers to three or less per calendar month and the account is subject to the Regulation E notice requirement, when is the account agreement change effective for Regulation D reserve requirement purposes?*

A. For purposes of reserve requirements, an amendment to an account agreement is regarded as effective when sent by the depository institution. Accordingly, an account for which a Regulation E change of terms notice has been sent may be regarded as exempt from the definition of "transaction account" even though more than three transfers could be effected during the interim period until the Regulation E notice becomes effective.

Q13. *Is notification to customers required if a depository institution desires to establish a limit on preauthorized and telephone transfers of three per calendar month?*

A. As a general matter, the Board has had a long standing position that customers should be notified in writing of any change in the terms of a deposit account that is adverse to the customer (12 CFR 217.148).

The necessity of notifying customers of a limit imposed on telephone and preauthorized transfers depends on a number of factors, including other regulatory requirements, such as Regulations E and Q and those imposed under state law. A depository institution that has not explicitly provided in its deposit agreement or other representations the right of its depositors to make withdrawals by telephone may not necessarily have to send notice to its customers that such service will be limited in the future. However, a depository institution that provides by written contract or agreement that telephone or preauthorized orders may be made would be required to notify each customer in writing of the change in terms. This notice, however, may be required by local law and disclosure requirements of other Federal and state regulatory requirements, not by Regulation D.

Q14. *If under the terms of an account, a depositor is not permitted to make more than three telephone or preauthorized transfers per calendar month, what steps must a depository institution take to prevent more than three transfers? Is a fourth transfer in a calendar month absolutely prohibited?*

A. As stated in the *Federal Register* preamble to Regulation D, "A depository institution is required to establish a system or other procedure to insure that no more than three [telephone or preauthorized] transfers are made during any calendar month from such accounts." (45 *Federal Register* 56009) The purpose to be served by a monitoring system is to establish that it is not the *practice* of the depository institution (12 CFR 204.2(e)(6)) to allow more than three telephone or preauthorized transfers, notwithstanding a deposit contract term to that effect. A system under which a depository institution can identify prior to making a requested

transfer whether the limit is being adhered to would meet this requirement.

An institution also is permitted to monitor on an *ex post* basis its accounts that have limited telephone and preauthorized transfer privileges. Under this procedure, an institution may determine which accounts made more than three transfers in a particular month. If the institution contacts the customer and informs him that the contract terms were violated and/or that the institution has other account services available if the customer desires an account for transaction purposes, this would indicate that it is not the practice of the institution to allow more than three transfers. Other factors that would be relevant in determining whether it is the practice of the institution to allow more than three telephone or preauthorized transfers per month under an *ex post* monitoring system would be the number of accounts that have restricted transfer privileges and the relative number that exceed the established limit.

It also is permissible for an institution to provide by contract that a fourth transfer in a calendar month will constitute an agreement by the customer to accept a new type of deposit account that allows unlimited telephone or preauthorized transfers. In this regard, a change in pricing in the new account may serve as a disincentive to customers making the fourth transfer. At the time the fourth transfer is made and into the future, the account would then be classified as a transaction account. (An institution may not establish an arrangement whereby a transaction account is converted to a nontransaction account because three or less transfers are made in a particular month.)

As an alternative approach to satisfy the three transfer per month rule, institutions may use a procedure of re-

classifying as transaction accounts those accounts that incur more than three telephone or preauthorized transfers in a calendar month. Once an account is classified as a transaction account, then it may not revert to nontransaction account status.

Q15. *Are intra-family allocations of a direct payroll deposit regarded as part of the three telephone or preauthorized transfers allowable per month in section 204.2(e)(6)?*

A. Direct deposit transactions at many depository institutions require that all funds be deposited initially only to one account of a customer. Institutions and depositors have entered into agreements whereby funds involving direct deposit transactions are subsequently transferred to other accounts of the employee or his or her family at the same institution. Where a deposit is made directly to one account but within a very short time routine disbursements of a portion of a payroll deposit are made to family member accounts or other accounts of the depositor, such disbursements are an element of the deposit transaction and are not to be regarded as "transfers." Thus, the capability of a depositor to distribute funds in this manner would not in and of itself render an account to which the payroll funds are initially deposited to be a transaction account.

TIME DEPOSITS (AND SAVINGS DEPOSITS)

Definition—Personal/Nonpersonal

Q1. *Must passbook savings be broken down between personal and nonpersonal?*

A. Yes. Savings accounts are treated as a class of time accounts, and therefore savings deposits must be

classified as personal or nonpersonal and reported separately.

Q2. *Are time deposits of a "personal corporation" considered to be personal time deposits?*

A. A time deposit of any corporation, including a corporation owned by one person, is nonpersonal. In order to be a personal time deposit, the entire beneficial interest of a nontransferable time deposit must be held by a natural person(s) or a sole proprietorship.

Q3. *Are time deposits of an "estate" considered to be personal time deposits?*

A. A time deposit held in the name of an estate will be personal or nonpersonal depending on the status of the named beneficiaries of the estate. If all of the beneficiaries are natural persons, the deposit is a personal time deposit. If any beneficiary is not a natural person, the deposit is nonpersonal. Creditors of the estate are not considered beneficiaries of the estate.

Q4. *Is an account personal if it is held in the name of an association such as a bowling club or vacation club, or of a monastery or convent?*

A. No. Accounts in which any beneficial interest is held by anyone other than a natural person are nonpersonal.

Q5. *Are the trust deposits of pension plans, profit-sharing plans, or other similar plans classified as personal or nonpersonal time deposits?*

A. 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.

Q6. *Are holiday or vacation club accounts reservable?*

A. Club accounts are treated as either time or savings deposits and are either personal or nonpersonal. If the deposit qualifies as a personal time or savings deposit, it is not reservable.

Q7. *Are Keogh (or Defined Benefit Keogh) Accounts in the name of a partnership excluded from reserve requirements?*

A. Yes. Nontransferable time deposits held in Keogh or IRA accounts are presumed to be for the beneficial interest of individuals under Section 204.2(f)(2).

Q8. *A bearer certificate of deposit issued to a natural person prior to October 1, 1980, is exempt from reserve requirements on nonpersonal time deposits. The institutions have no record of the purchasers of these bearer CDs; a record of the owner is made only at maturity, when the holder obtains the interest on the CD and must record his identity for tax purposes. Is a depository institution required to regard the amount of all bearer CDs issued prior to October 1, 1980, as nonpersonal time deposits if they cannot show that they were issued to natural persons?*

A. No. If bearer CDs have fixed maturities, depository institutions are permitted to estimate the distribution of such deposits between personal

and nonpersonal by use of reasonable sampling techniques. Estimates may be based on past experience, current redemptions, or other reasonable inquiry.

For deposits issued on or after October 1, 1980, depository institutions are required to record the actual distribution between personal and nonpersonal time deposits. Of course, all transferable time deposits, including negotiable or bearer CDs, are nonpersonal time deposits regardless of to whom they are issued or who holds any beneficial interest in the deposit.

Q9. *Escrow accounts may be treated as personal savings or time accounts if the entire beneficial interest in the funds is held by natural persons. Does this rule apply to tenant security deposits?*

A. Yes. If all of the tenants whose security deposits are held in an account by a landlord are natural persons, that account may be treated as personal. If a landlord has both natural person and corporate or organizational tenants, the landlord could be asked to place the security deposits of natural persons in a separate account, and that account could be treated as personal.

Q10. *Are time deposits issued to the Bureau of Indian Affairs as custodian for an Indian tribe holding the entire beneficial interest in the funds personal or nonpersonal?*

A. Such deposits are nonpersonal since an Indian tribe is considered to be an organization or association.

Definition—Natural Persons

Q11. *Because a transfer of a time deposit to an estate upon the death of*

the owner need not be done with notice to the institution, how can the institution be required to determine whether all of the beneficiaries are natural persons?

A. If such a transfer occurs without notice to the institution, then it need not make the determination. However, if the institution is asked to change the name on the account to that of the estate, then it must make that determination.

Q12. *The account of a decedent's estate is personal only if all of the beneficiaries are natural persons. In many cases, this is impossible to determine. For example, many wills have contingent interests, in which any remainder will go to a charity. Also, many wills give the executor a power of appointment, and it may not be known who the executor will appoint. Also, many institutions do not accept wills on advice of counsel in order to avoid being held liable for not acting in accordance with the will. The same is true in many cases for trusts. How are these cases to be treated?*

A. The regulation requires that beneficiaries be natural persons in order to treat the account as personal. Remainder interests and powers of appointment may be ignored. In addition, an institution may reasonably rely on the representation of the executor or trustee that all beneficiaries, with the exception of contingent interests and powers of appointment, are natural persons, so long as the institution does not know and has no reason to know that the contrary is true.

Q13. *Many decedents' estates are in the hands of the public administrator because the person died intestate (i.e., without a will). In such cases, how is the beneficial interest to be determined?*

A. In the case of decedents' estates in the hands of the administrator, the funds usually end up in the hands of natural persons or are escheated to the State. For purposes of convenience, these accounts may all be treated as personal.

Q14. *Many trust departments often place funds in a single time or savings account in the commercial department of the institution. May an institution determine the proportion of funds in that account that are allocable to trusts or estates in which the entire beneficial interest is owned by natural persons and regard that amount as a personal deposit? May the institution establish a percentage of the account that is personal and use that percentage each day?*

A. No. The trust department may place its funds in two accounts, one personal and one nonpersonal, but the funds in the personal account must be from trusts and estates in which the beneficial interest is held entirely by natural persons, and this may not be determined by estimation or percentages.

Q15. *Depository institutions may accept the representations of trustees, executors, and escrow agents that the entire beneficial interest of funds in a time or savings account are natural persons in order to regard the account as personal. Must that representation be made in writing?*

A. Yes. However, the representation may simply be noted on the signature card or other instrument evidencing the account that is signed by the trustee, executor or escrow agent.

Q16. *A savings or time deposit in the name of a trustee may be treated as personal only if all of the beneficiaries are natural persons. Does this rule apply in the case of Totten trusts?*

A. No. Totten trusts are not true trusts covered by this rule. A Totten trust is one in which the owner of the funds states that the account is in the name of himself in trust for another, and the intent of the depositor is simply to make it possible for the other to obtain the funds from the institution upon the depositor's death. The intent of the depositor is not to give any beneficial interest to the other during the depositor's lifetime; the depositor has the right to revoke the Totten trust at any time, and the other has no beneficial interest in the funds during that time. Accordingly, a Totten trust in the name of a natural person in trust for an entity that is not a natural person (for example, "Mary Jones in trust for St. Luke's Church") is personal, and exempt from reserves, so long as the depositor has the right to revoke the designation. An institution is responsible for determining that accounts in such names are in fact Totten trusts rather than real trusts. If the institution is satisfied that there is no real trust involved in operating such an account, it may treat the account as a Totten trust.

Escrow Accounts

Q17. *How should escrow accounts be classified on the reports?*

A. If there is an agreement between the depositor and the institution requiring the funds to be placed in a specific type of account (demand, savings, or time), the escrow funds must be reported as that type of account. If there is no such agreement, the institution, acting as agent for itself, may place those funds in the type of account the institution deems appropriate.

Q18. *Does an institution have to go through its entire mortgage portfolio in order to identify each mortgagor*

as individual or corporate for the purpose of separating its mortgage escrow account into two accounts, one personal and one nonpersonal?

A. In order to treat an escrow account as a personal savings account, all of the funds in the escrow account must be received from natural persons. Thus, if an institution has both individuals and corporations as mortgagors, the escrow account must be treated as nonpersonal unless a separation into two accounts is made and personal and nonpersonal funds are segregated.

Q19. *How is the determination to be made as to whether escrow funds held in a time or savings account, established in connection with a loan extended by the same institution, are personal or nonpersonal deposits?*

A. Such escrow accounts are to be identified as either personal or nonpersonal based on the identity of the party who has the beneficial interest in the account, as determined by State law. If the beneficial interest is held entirely by natural persons, the account may be classified as personal.

Q20. *How are other escrow accounts determined to be personal or nonpersonal?*

A. Other escrow accounts, such as landlord security deposits and earnest money deposits, are identified as personal or nonpersonal deposits on the basis of whether, under State law, the entire beneficial interest in the funds is held by a natural person.

Miscellaneous

Q21. *A financial administrator for a court holds funds in time deposit accounts on behalf of the court pend-*

ing the outcome of litigation. In the case of funds awaiting disposition due to litigation, how may a determination of ownership be made?

A. In the case of funds awaiting disposition due to litigation, the institution will need to determine from whom the funds were obtained. That person is treated as having the beneficial interest until final disposition is determined. If that person is a natural person, then the account may be treated as personal.

Q22. *Which type of transactions involving mortgage pass-through securities and mortgage loan participations are reservable under Regulation D?*

A. If the originating depository institution is obligated to incur more than the first ten per cent of loss associated with a pool of conventional non-Federally insured mortgages, then any funds raised through issuance and sale of such securities to nonexempt entities are subject to reserve requirements. This, however, does not apply to normal mortgage loan participation transactions where the buyer and seller of a participation in a mortgage loan or pool of mortgages share all risk of loss on a pro rata basis. In such instances any funds raised through the sale of such participations are not subject to reserve requirements.

BANKERS' ACCEPTANCES

Q1. *Does the sale of an eligible acceptance under a repurchase agreement create a reservable liability?*

A. Yes. Only as government and agency securities may be sold under repurchase agreement to entities other than depository institutions free of reserves.

Q2. *Has the determination of the ma-*

turity of eligible bankers' acceptances exempt from reserve requirements changed under revised Regulation D?

A. Yes. Formerly any eligible bankers' acceptance having not more than six months' sight to run would not be exempt from reserve requirements until the remaining maturity was 90 days or less at the time of discount. Under revised Regulation D, all eligible bankers' acceptances described in paragraph 7 of section 13 of the Federal Reserve Act (12 U.S.C. § 372) having not more than six months' sight to run are exempt from reserve requirements.

FEDERAL FUNDS

Q1. *A depository institution purchases Federal funds through a broker (not a depository institution) that is acting as agent for a depository institution. Are the Federal funds reserve-free?*

A. Yes. Federal Funds purchased from a depository institution are not considered to be a deposit under Section 204.2(a)(1)(vii)(A)(1). If the broker acts solely as agent, the funds in the example are considered to have been purchased from the depository institution.

Q2. *Are borrowings from corporate central credit unions exempt from reserve requirements?*

A. 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 unions are not subject to reserve requirements.

Q3. *Repurchase agreements on securities guaranteed as to principal and interest by the U.S. Government or*

an agency thereof ("RP") are exempt from reserve requirements as are direct borrowings from the U.S. Government or an agency thereof. Are Ginnie Mae (Government National Mortgage Association), Fannie Mae (Federal National Mortgage Association), Freddie Mac (Federal Home Loan Mortgage Corporation), and Sallie Mae (Student Loan Marketing Association) agencies of the U.S. Government?

A. Yes. A list of obligations which the Federal Reserve considers to be U.S. Government and agency securities for purposes of the RP exception may be found at the Board's Published Interpretations ¶ 925 (12 CFR § 201.108). Ginnie Mae, Fannie Mae, and Freddie Mac are on that list. Sallie Mae is also a Government agency for this purpose.

In addition, direct borrowings in the form of promissory notes or other similar instruments in the name of the U.S. Government or an agency thereof are excluded from the definition of deposits and, thus, are exempt from reserves. Such exemption applies to borrowings that are in the name of departments of the U.S. Government such as the Bureau of Indian Affairs. However, liabilities that are booked as deposits by the institution are regarded as deposits because they are not "borrowings."

Q4. *The permissible collateral for outstanding due bills consists of securities of similar type and comparable maturity to the security underlying the due bill. What is considered to be comparable maturity for this purpose?*

A. All Treasury bills may be treated as being of comparable maturity to each other because they are issued in original maturities of one year or less. Obligations that have maturities within a range of time that is normally referred to as a common group

may be substituted for each other. In this regard, obligations that are referred to as "long term," for example, may be substituted for each other even though they might have maturities that vary by as much as 10 years. This may be determined by common usage in the market place. Shorter term securities would have a narrower time range for the purpose of determining comparability of maturity. In determining the maturity comparability of two securities, maturity may be determined on the basis of the time remaining to maturity of a particular obligation.

CALCULATIONS AND REPORTING

Q1. *Are depository institutions that have zero reserve requirements required to report deposit and other data to the Federal Reserve?*

A. Yes. All depository institutions, including "bankers' banks," are required to submit data on Form FR 2900 in accordance with Regulation D.

Q2. *How are time deposit 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?*

A. 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 reserve computation period immediately preceding the merger.

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. The required reserve ratio on time deposits for the merged bank would be $(0.0325 \times (15/50)) + (0.0340 \times (35/50)) = 0.03355$.

Q3. *What is the definition of total deposits to be used to determine whether quarterly reporters have reached 15 million?*

A. 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 as set forth in section 204.3(d)(3).

Q4. *Does Item 2, "U.S. Government Demand Deposits," apply only to those institutions that have been designated as Treasury tax and loan depositories?*

A. No. Regardless of whether or not an institution has been designated as a depository, any institution that has deposit accounts subject to withdrawal on demand that are due to, or subject to control or regulation by the U.S. Government must report such balances in Item 2. For example, any institution that withholds Federal income taxes, social security taxes, or other Federal tax payments from the salaries of its employees must report the unremitted balance of such deposits in Item 2. However, TT&L note balances are not to be reported as deposits in this item or elsewhere on the report.

Q5. *How should transaction accounts that meet the criteria for more than one type of account be reported on the FR 2900?*

A. All demand deposit accounts should be classified as demand deposits (Items 1, 2, or 3) even if pre-authorized or telephone transfers or third party payments through the use

of debit cards, ATMs, or RSUs are allowed. Similarly, all NOW accounts or share draft accounts should be classified as NOW/share draft accounts (Item 6), even if preauthorized or telephone transfers or third-party payments through the use of debit cards, ATMs, or RSUs are allowed. Savings or time deposit accounts that meet the criteria for ATS accounts should be classified as ATS accounts (Item 4), even if telephone or preauthorized transfers or third-party payments through the use of debit cards, ATMs, or RSUs are allowed. Savings or time deposit accounts other than NOW, share draft, and ATS accounts that permit more than three telephone or preauthorized transfers per month or that permit third-party payments through the use of debit cards, ATMs, or RSUs should be reported as telephone or preauthorized transfer accounts (Item 5).

Q6. *Are time deposits with a current balance of \$100,000 or more reported on line 16 of FR 2900, or does it include only time deposits with an initial deposit of at least \$100,000?*

A. All time deposits with balances of \$100,000 or more at the time of reporting must be reported on line 16 of FR 2900.

Q7. *If a corporation presents a credit union with a check drawn on another depository institution for the purpose of depositing in the credit union the corporation employee's withheld savings from a payroll but does not provide the credit union with a listing showing the distribution of such withheld savings, how should the credit union report this transaction on the FR 2900?*

A. The credit union should report the liability for the deposited payroll savings in Item 3 (Other Demand) of the FR 2900 but this amount may be offset by the deduction for cash

items in process of collection during the time required for the check to clear.

After the check clears, if the distribution listing is still not provided to the credit union or if the credit union does not distribute the lump sum deposit among the appropriate members, the credit union is not entitled to the cash items in process of collection deduction from those funds. The payroll deposit remains in Other Demand and reserves must be held against the deposit until the funds are distributed to the proper members' accounts.

Q8. *Many banks receive payments from other banks with unclear information as to whom the funds should be credited. The practice of many institutions is to credit those funds to a suspense account. The funds remain in that account until the institution determines the party to whom the funds are to be credited or transmitted. This process for each such payment may take several days or weeks. During that time, how must an institution report that suspense account for reserve purposes? Many foreign banks find that 90 per cent of payments made to them are to be credited to their parent's account, and thus most of these funds should have been subject to Eurocurrency, rather than domestic, reserves during that period.*

A. Institutions must regard the entire amount of funds in suspense accounts each day as transaction accounts (to be reported as other demand deposits in Item 3 of the FR 2900) unless they determine from their past experience that a percentage of such funds usually are to be treated otherwise. For example, if a United States branch of a foreign bank finds that 90 per cent of the funds placed in a suspense account normally go to its parent, it may treat 90 per cent of its suspense ac-

count each day as a balance due to its parent subject to the Eurocurrency reserve requirement and 10 per cent as a transaction account.

Q9. *The instructions to FR 2900 indicate that a bona fide cash management arrangement must be evidenced by a prior written agreement between the reporting depository institution and the customer authorizing transfers between transaction accounts of the customer. Does this mean that there must actually be a reduction on the books of the institution in order to reduce the balance by the overdraft amount for purposes of reserves?*

A. An actual transfer on the books of the institution is not necessarily required. *Bona fide* cash management purposes can be demonstrated in a number of situations. The fact that a depository institution has the ability to offset an overdraft with funds in another account is sufficient to serve the purposes of Regulation D.

Q10. *How are "loans in process" to be treated for purposes of reporting on the FR 2900?*

A. "Loans in process" arise in at least two different contexts.

(1) Where a depository institution issues a cashier's check representing mortgage or other loan proceeds and delivers the check to a settlement agent in advance of the loan closing, the cashier's check represents a demand deposit and the amount of the check is reservable from time of issuance as a transaction account.

(2) Thrift institutions commonly have a liability "contra" account entitled "loans in process" that represents unadvanced portions of construction loan commitments. Such commitments are contingent liabilities of the

depository institution and are not subject to reserves. When a portion of the loan commitment is advanced, a reservable liability would be created if disbursement were made by issuance of an officer's check or by credit to a deposit account.

Q11. *A depository institution ("seller") sells money orders on consignment from a second depository institution ("issuer"). Funds are not remitted to the issuer until it notifies the seller that the money orders have been received for payment and the funds are then remitted by the seller. How are the funds representing the proceeds of the money order sale to be reported?*

A. The money order proceeds are a deposit of the selling institution until remitted to the issuer. If the issuer is a depository institution, then the unremitted amount held by the seller represents a balance due to a depository institution.

Q12. *The instructions to Form FR 2900 for credit unions provides under "Record-keeping":*

"Note: If, according to your standard accounting practices, closing balances for accounts reported on this report are not available on a daily basis, you may report the same closing balance for subsequent days provided that your closing balances for these accounts are updated at least once a week. For example, a credit union that uses a weekly batch system may have closing balances only as of each Friday. In this case, the balances for the preceding Friday should be reported for Thursday of the current computation week; the balances for Friday of the current computation week should be reported not only for Friday but also for the following Saturday, Sunday, Monday, Tuesday, and

Wednesday, and for the first Thursday of the next computation period."

Does this reporting principle apply to other similarly situated depository institutions?

A. Yes. If a depository institution posts its general ledger daily or generates a daily balance sheet, then all amounts reported for reserve requirements purposes on the FR 2900 must be updated daily. However, as indicated above, if it is the accepted accounting practice and standard for a particular segment of the industry to post the general ledger less frequently than daily, then weekly updating is permitted.

ELIGIBLE RESERVE ASSETS

Vault Cash

Q1. *May coin sent by an institution to a coin-wrapping servicer and kept there for several days be treated as vault cash?*

A. Yes, so long as the institution continues to book the coin as an asset and has the right to obtain possession of the coin immediately to satisfy depositors' claims.

Q2. *May a depository institution sell its excess vault cash to another institution for use in satisfying reserve requirements by means of an overnight trust receipt? The selling institution will continue to hold the currency and coin in its vault.*

A. No. Such transactions are regarded as a device to avoid reserve requirements and such temporary "sales" are not regarded as effective for reserve maintenance purposes.

Q3. *Are redeemed savings bonds*

counted as vault cash?

A. No. Vault cash consists of United States currency and coin (except for coin and currency whose numismatic value exceeds face value, such as gold and silver coin) owned and held by the depository institution. However, redeemed savings bonds give rise to a "cash item in process of collection" deduction while in the collection process if shipped for collection on the next business day.

Q4. *Coin and currency must be in the possession of the reporting institution, subject to the in-transit exception, in order to be treated as vault cash. Is currency and coin considered to be in an institution's possession if placed in a vault on the premises of another institution that is rented by the reporting institution?*

A. Yes, so long as (1) the reporting institution has full rights of ownership of the coin and currency, (2) the reporting institution has full rights to obtain the coin and currency immediately in order to satisfy customer demands (and accordingly must be reasonably nearby), and (3) the institution from which the vault is rented does not include that coin and currency as its own vault cash.

Pass-throughs

Q1. *If a correspondent is assessed a penalty for a deficiency in reserves maintained that arose because a respondent depository institution was deficient, may the correspondent pass the penalty on to the respondent?*

A. Yes. The Reserve Bank will impose the penalty on the correspondent and the correspondent is not prohibited by Federal Reserve rules from passing it on to the respondent, but is not required to.

Q2. Regulation D states that an institution may have only one pass-through correspondent. Does this rule apply to a foreign bank with offices in more than one State?

A. No. If a foreign bank has United States offices that are required to keep reserves at more than one Reserve Bank, each reporting unit is treated separately and may have a different pass-through correspondent.

Q3. May a former member bank that is required to maintain full reserves pass the reserves through a correspondent?

A. Yes. Such a bank may maintain its reserve account directly with the Reserve Bank or it may pass its reserves through a correspondent.

BALANCES DUE TO/DUE FROM DEPOSITORY INSTITUTIONS

"Due From" Deductions

Q1. 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 institution," on the FR 2900?

A. 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.

Q2. Are "checking-type" accounts that a credit union maintains at a corporate central to be included as a deduction under Item 8, "demand balances due from depository institutions," on the FR 2900?

A. Only those accounts in the form

of demand deposits (*i.e.*, payable on demand) that are due from a corporate central are to be included as a deduction under Item 8. If the corporate central reserves the right to require written notice before an intended withdrawal, regardless of whether or not the corporate central actually exercises this right and regardless of how the credit union uses the account, such accounts do not meet the definition of demand deposits and, therefore, may not be included in Item 8.

Q3. Is a balance due from another depository institution subject to immediate availability which the State banking authorities count in satisfaction of an institution's State reserve requirements deductible as a balance due from other banks?

A. Yes. All balances at other depository institutions subject to immediate availability are deductible from gross transaction accounts in arriving at required reserves.

Q4. The actual balance in a reporting institution's demand account at another institution usually will be greater than the amount shown on the reporting institution's books in its due-from entry. This occurs because the reporting institution will write down the due-from account on its books for checks and drafts that have not yet been paid by the institution holding the account. In reporting the total amount of balances due from depository institutions, must an institution report its book amount, or may it report the amount shown each day at the other institution as balances due to the reporting institution?

A. The reporting institution must use its book amount as balances due from depository institutions for purposes of Item 8. The reporting insti-

tution will have written down a liability account for the check that it has issued, and, because that liability account is likely to be a reservable deposit account, it has already obtained a reduction in reserves on the transaction. To permit a deduction for that amount would permit an unwarranted double deduction for the amount of the check.

CLASSIFICATION AND RESERVABILITY QUESTIONS

Q5. What is the proper treatment of excess reserves of a depository institution that maintains reserves on a pass-through basis?

A. As noted in the detailed reporting instructions, all reserve balances passed through to the Federal Reserve by a correspondent on behalf of a respondent must be *excluded* from Item 8, "Demand Balances Due from Depository Institutions," of the respondent's FR 2900, even if a portion of the amount passed through on behalf of the respondent was in excess of the respondent's required reserves. On the other hand, a respondent may include as a "due from" any demand balances that it has at a correspondent that were not passed through by a correspondent to the Federal Reserve.

Q6. An overdraft in an Edge Corporation's demand deposit account at its parent bank is raised to zero for computing reserves and the amount is considered a loan from the parent to the Edge. Is the amount of the loan exempt from reserves?

A. The loan is not reservable to the parent bank. The Edge Corporation is permitted to treat the loan as a borrowing from another depository institution (at page 21 of the instructions), and therefore it is not reservable.

Q7. *Are excess reserves maintained with a pass-through correspondent in a deposit subject to immediate withdrawal a reservable liability of the correspondent?*

A. If the entire amount on deposit with the correspondent is passed through to a Federal Reserve office, then none of it is to be treated as a balance due to banks. Any amount not actually passed through to a Federal Reserve office must be treated as a balance due to banks, and accordingly is reservable.

Q8. *Are balances due to bankers' banks such as Savings Banks Trust Company and balances due to private banks to be reported in Item 1.a. of the FR 2900?*

A. Yes. Savings Banks Trust Company should be treated as a bank. Balances due to private banks that are not depository institutions are to be reported as bank demand accounts in Item 1.a. Balances due from Savings Banks Trust Company, but not from private banks, are to be included in Item 8.

Q9. *What is the proper classification of funds received by a depository institution representing payments for loans that the institution is servicing for others?*

A. Funds received by a depository institution in connection with servicing of loans for others represent deposits. Where the loan is owned by another depository institution, such funds represent a balance due to another depository institution until remitted. Loan repayments received by an institution for loans that it owns represent reductions in an asset account and do not give rise to reserves notwithstanding that such payments are carried temporarily in a liability account pending proper posting to the loan accounts.

Q10. *What is the proper treatment of a check drawn by a depository institution on a zero balance account at a correspondent?*

A. If a credit union, savings and loan association or other depository institution draws checks on a zero balance account at a correspondent bank and remits funds when advised that the checks have been presented, then the amount of the checks represent an amount due to another depository institution. Although Regulation D (12 CFR 204.2(b)(2)) provides that a check or draft drawn by a depository institution on another depository institution are not demand deposits, such rule applies only where the check or draft is drawn against a positive balance at another institution and would properly represent a reduction in an asset account. In the case of checks drawn on a zero balance account, a depository institution is regarded as having issued a reservable liability.

EUROCURRENCY LIABILITIES

Q1. *How are balances due to foreign offices of other depository institutions treated?*

A. Borrowings from such offices are treated as nonpersonal time deposits and are reported on the Eurocurrency report form. Balances due to, and borrowings from, an institution's own foreign branches, whether or not subject to immediate withdrawal, are reported as Eurocurrency liabilities and are reservable net of balances due from those offices. Demand balances and borrowings due to foreign offices of affiliated banks are treated as balances and borrowings due to other banks.

Q2. *If a foreign bank parent places funds with its United States branch in a capital account, is that account*

exempt from Eurocurrency reserves?

A. No. That must be treated as a balance due to parent. The capital equivalency deduction takes the place of capital for reserve requirement purposes.

Q3. *There are two de minimis exceptions to the Eurocurrency reserve requirement on loans to United States residents, i.e., the \$1 million per branch exception and the \$100,000 per borrower exception. How do these exceptions interrelate?*

A. Example One: If Mr. Jones, a U.S. resident, has a \$50,000 loan at a bank's Nassau branch and a \$90,000 loan at the bank's London branch and both branches have more than \$1 million in loans outstanding to U.S. residents, then the resident exception does not apply since aggregate loans to Mr. Jones exceeds \$100,000.

Example Two: In Example One, if the London branch had less than \$1 million in loans to U.S. residents and the Nassau branch had more than \$1 million, only the Nassau branch loans would be subject to reserve requirements. Reservable loans to Mr. Jones would be \$50,000 since aggregate credit extended to him by the bank's foreign branches exceeds \$100,000. The London branch loan to Mr. Jones is not reservable, however, because total loans to U.S. residents at that branch do not exceed \$1 million.

Example Three: If a bank's Nassau branch has twelve loans of \$90,000 each to twelve different U.S. residents and no other foreign branch has any loans to any of the twelve U.S. residents, then the Nassau branch would have no reportable loans. The branch's total loans are more than \$1 million, but its loan to any one U.S. resident is less than \$100,000.

Example Four: In Example Three, if one of those U.S. residents had an additional loan at the London branch of \$20,000, the Nassau branch must report \$90,000 in loans. This is true regardless of whether London has more or less than \$1 million in loans. If London has more than \$1 million, it must report the \$20,000 loan to the resident because in the aggregate the bank's loan to that resident totals more than \$100,000.

Q4. *Are direct borrowings from foreign corporations regarded as Eurocurrency liabilities?*

A. Direct borrowings from foreign and domestic corporations that are not depository institutions are liabilities subject to reserve requirements but are not Eurocurrency liabilities. They are nonpersonal time deposits if their maturity is 14 days or more. They are demand deposits and reported as transaction accounts if their maturity is less than 14 days. The exemption for Federal funds and Eurocurrency borrowings cover borrowings from banks and depository institutions.

Q5. *If a foreign bank issues commercial paper in the United States and the bank's United States branch or agency borrows the proceeds from the bank's head office, are those funds subject to reserves at the domestic ratios?*

A. No. Commercial paper issued in the United States by a foreign bank's head office is not subject to Federal reserve requirements. However, when the proceeds of the sale are channeled to the United States branch or agency, the proceeds become subject to Eurocurrency reserve requirements as an advance from the foreign bank's head office.

Q6. *Are balances due from a Federal*

Reserve Bank to be subtracted from total assets in calculating a foreign bank's United States office's capital equivalency deduction?

A. No.

Q7. *The calculation by foreign banks of their capital equivalency deduction requires that the definition of total assets correspond to the definition on their quarterly call report (FFIEC 002). (However, the amount of total assets will, in many cases, need to be adjusted to take into account the different definitions of "related" institutions on the two reports.) In order to calculate total assets in Schedule A of that report, unearned income on loans is to be subtracted. Many foreign banks do not calculate unearned income on loans each day; rather they calculate it only monthly or quarterly. Must such foreign banks calculate this figure daily?*

A. No. Foreign banks may use the most recently available figure on a consistent basis.

Q8. *Eurocurrency liabilities include borrowings from "non-United States offices" of the reporting domestic institution. Do "non-United States offices" include foreign offices of a nonbank corporation that is an affiliate of the reporting institution?*

A. No. "Non-United States offices" in this context means only foreign offices of the foreign bank operating the U.S. agency or branch. Affiliates are separate corporate entities, and their foreign offices are not foreign offices of the foreign bank itself. Borrowings from foreign offices of affiliated depository institutions are reported together with borrowings from other foreign depository institutions in Column 1 of the FR 2950. Borrowings from foreign offices of affiliated nonbank corporations are treated as deposits and are subject to

domestic reserve requirements as demand or time deposits depending on maturity; if the borrowing is a demand deposit (because the maturity is less than 14 days), then Regulation Q and Part 329 of the FDIC's regulations prohibit the payment of interest on the borrowing.

Q9. *A depository institution has separate demand accounts for each of several foreign branches of a single unrelated foreign bank. May amounts due to some of the branches be "netted" against amounts due from other branches for computing amounts due to banks?*

A. No, unless the separate accounts of the foreign institution serve a *bona fide* cash management function and if netting is permitted under the law(s) of the country or countries in which the branches are located.

Report of Transaction Accounts, Other Deposits and Vault Cash

FR 2500
OMB No 7100-0087
Approval Expires September 1982

You must file a Report of Certain Euro-currency Transactions if your institution had during the reporting period any foreign borrowings.

For the week ended _____, 19__

If your institution had no outstanding balances of transaction accounts (Item 7), other nonpersonal savings deposits (Item 11), nonpersonal time deposits with original maturities of less than 3 1/2 years (Item 14.a), or ineligible acceptances or obligations by affiliates maturing in less than 3 1/2 years (Schedule A, Items 1 and 2 b), you need not complete this report. Rather, please check this box, sign the report, and return it to the designated Federal Reserve Bank

This report is required by law [12 U.S.C. (2481a) and (461)]

The Federal Reserve System regards the information provided by each respondent as confidential. If it should be determined subsequently that any information collected on this form must be released, respondents will be notified.

PLEASE READ INSTRUCTIONS PRIOR TO COMPLETION OF THIS REPORT

Report all balances as of the close of business each day to the nearest thousand dollars.

Items	Column 1		Column 2		Column 3		Column 4		Column 5		Column 6		Column 7		Column 8	
	Thursday		Friday		Saturday		Sunday		Monday		Tuesday		Wednesday		Total	
	Mill.	Thous.	Mill.	Thous.	Mill.	Thous.	Mill.	Thous.	Mill.	Thous.	Mill.	Thous.	Mill.	Thous.	Mill.	Thous.
TRANSACTION ACCOUNTS																
Demand Deposits																
1 Due to depository institutions																
a Banks																1a
b Other depository institutions																1b
2 U.S. Government																2
3 Other demand																3
Other Transaction Accounts																
4 ATS accounts																4
5 Telephone and preauthorized transfers																5
6 NOW Accounts/Share Drafts																6
7 Total (must equal sum of Items 1 through 6 above)																7
DEDUCTIONS FROM TRANSACTION ACCOUNTS																
8 Demand balances due from depository institutions in the U.S.																8
9 Cash items in process of collection																9
OTHER SAVINGS AND TIME DEPOSITS																
Other Savings Deposits																
10 Personal																10
11 Nonpersonal																11
12 Total (must equal sum of Items 10 and 11)																12

Please continue on page 2

Items	Report all balances as of the close of business each day to the nearest thousand dollars																
	Column 1		Column 2		Column 3		Column 4		Column 5		Column 6		Column 7		Column 8		
	Thursday		Friday		Saturday		Sunday		Monday		Tuesday		Wednesday		Total		
	Mil.	Thous.	Mil.	Thous.	Mil.	Thous.	Mil.	Thous.	Mil.	Thous.	Mil.	Thous.	Mil.	Thous.	Mil.	Thous.	
OTHER SAVINGS AND TIME DEPOSITS (continued)																	
Time Deposits																	
13 Personal (regardless of maturity)																	13
14 Nonpersonal																	14
a. Original maturity of less than 3 1/2 years																	14a
b. Original maturity of 3 1/2 years or more																	14b
15 Total (must equal sum of Items 13 and 14)																	15
16 All time deposits in denomination of \$100,000 or more (included in Items 13 and 14)																	16
17 VAULT CASH																	17

If your institution had no ineligible acceptances or obligations by affiliates, please check this box and do not complete Schedule A.

SCHEDULE A: OTHER RESERVABLE OBLIGATIONS BY REMAINING MATURITY

Ineligible Acceptances and Obligations by Affiliates

1 Maturing in less than 14 days																	1
2 Maturing in 14 days or more but less than 3 1/2 years																	2
a. Personal																	2a
b. Nonpersonal																	2b

Name and Address of Reporting Institution _____

I certify that the information shown on this report is correct

Authorized Signature _____

Title _____

Person to be Contacted Concerning this Report (please print) _____

Please return by no later than _____

Area Code and Telephone Number _____

To _____

Report of Certain Eurocurrency Transactions For All Depository Institutions Other Than U.S. Branches and Agencies of Foreign Banks

For the week ended _____, 19____.

If your institution had no outstanding balances to report, please check this box, sign the report, and return to the Federal Reserve Bank designated below

This report is required by law [12 U.S.C. § 248(a) and § 461].

The Federal Reserve System regards the information provided by each respondent as confidential. If it should be determined subsequently that any information collected on this form must be released, respondents will be notified.

PLEASE READ INSTRUCTIONS PRIOR TO COMPLETION OF THIS REPORT

Day of Week	Date		Column 1		Column 2		Column 3		Column 4		Column 5	
			Borrowings from Non-U.S. Offices of Other Depository Institutions and from Certain Designated Non-U.S. Entities		Gross Liabilities to Own Non-U.S. Branches plus Net Liabilities to Own IBF ¹		Gross Claims on Own Non-U.S. Branches plus Net Claims on Own IBF ¹		Assets Held by Own IBF and Own Non-U.S. Branches Acquired from U.S. Offices		Credit Extended by Own Non-U.S. Branches to U.S. Residents	
			Miss.	Thous.	Miss.	Thous.	Miss.	Thous.	Miss.	Thous.	Miss.	Thous.
Thursday												
Friday												
Saturday												
Sunday												
Monday												
Tuesday												
Wednesday												
TOTAL												

¹ Report only a single net position in either Column 2 or 3 that represents your net due from/due to position with your own IBF. Refer to the Detailed Instructions for the Preparation of the Report of Certain Eurocurrency Transactions to determine this amount. Under no circumstance should an amount be reported in both Columns 2 and 3 that represents your net position with your own IBF.

 Name and Address of Institution

I certify that the information shown on this report is correct.

 Authorized Signature Title

 Person to be contacted concerning this report

 Area Code and Telephone Number

Please return by no later than

To

Report of Certain Eurocurrency Transactions From U.S. Branches and Agencies of Foreign Banks

For the week ended _____, 19____

If your institution had no outstanding balances to report, please check this box, sign the report, and return to the Federal Reserve Bank designated below.

This report is required by law [12 U.S.C. §248(a), §461, and §3105].

The Federal Reserve System regards the information provided by each respondent as confidential. If it should be determined subsequently that any information collected on this form must be released, respondents will be notified.

PLEASE READ INSTRUCTIONS PRIOR TO COMPLETION OF THIS REPORT

Day of Week	Date		Column 1		Column 2		Column 3		Column 4		Column 5		
			Borrowings from Non-U.S. Offices of Other Depository Institutions and from Certain Designated Non-U.S. Entities		Gross Liabilities to Non-U.S. Parent Bank and Its Non-U.S. Offices plus Net Liabilities to Own IBF ^{1/}		Gross Claims on Non-U.S. Parent Bank and Its Non-U.S. Offices Plus Net Claims on Own IBF ^{1/}		Total Assets Minus Certain Assets and Positive Net Balances Due from Own IBF and the Parent Bank's U.S. and Non-U.S. Offices		Assets Held by Own IBF and Certain Related Non-U.S. Institutions that were Acquired from U.S. Offices		
			Month	Day	Mils.	Thous.	Mils.	Thous.	Mils.	Thous.	Mils.	Thous.	Mils.
Thursday													
Friday													
Saturday													
Sunday													
Monday													
Tuesday													
Wednesday													
TOTAL													

^{1/} Report only a single net position in either Column 2 or 3 that represents your net due from/due to position with your own IBF. Refer to the Detailed Instructions for the Preparation of the Report of Certain Eurocurrency Transactions to determine this amount. Under no circumstance should an amount be reported in both Columns 2 and 3 that represents your net position with your own IBF.

 Name and Address of Institution

I certify that the information shown on this report is correct

 Authorized Signature

 Title

 Person to be contacted concerning this report

 Area Code and Telephone Number

Please return by no later than

To:

Summary Instructions for the Preparation of the Report of Transaction Accounts, Other Deposits and Vault Cash (FR 2900)

Under the Monetary Control Act of 1980, a depository institution that has transaction accounts or nonpersonal time deposits is required to file with the Federal Reserve System a *Report of Transaction Accounts, Other Deposits and Vault Cash* (FR 2900). These summary instructions provide a general description of the items to be reported and focus on those transactions that are more common to smaller depository institutions. More detailed instructions, including a comprehensive discussion of the items to be reported, a discussion of certain special topics, and a glossary that defines important terms, are provided in the *Detailed Instructions for the Preparation of the Report of Transaction Accounts, Other Deposits and Vault Cash* that is available from the Federal Reserve Banks.¹

This report is used for the calculation of Federal required reserves and for construction of the monetary aggregates used by the Federal Reserve System in the formulation and conduct of monetary policy. Efficient management of required reserves begins with the accurate and timely preparation of this report. Rules governing the reserve requirement provisions of the Monetary Control Act are contained in the Federal Reserve's Regulation D, "Reserve Requirements of Depository Institutions," which is available from the Federal Reserve Banks.

GENERAL INSTRUCTIONS

Who must report. The following depository institutions that have transaction accounts or nonpersonal time deposits must submit the *Report of Transaction Accounts, Other Deposits and Vault Cash*:

1. Federally-insured commercial or industrial banks (or any bank that is eligible to apply for FDIC insurance);
2. mutual or stock savings banks;
3. building, savings and loan, or homestead associations and cooperative banks that are members of a Federal Home Loan Bank or that are insured by the FSLIC (or any institution that is eligible to apply for FSLIC insurance);
4. credit unions that are insured by the NCUA Board (or any credit union that is eligible to apply for such insurance);
5. Edge Act and Agreement corporations;
6. U.S. branches and agencies of foreign banks with consolidated worldwide bank assets in excess of \$1 billion; and
7. other U.S. branches of foreign banks that are eligible to apply for FDIC insurance.

Frequency of report. Commercial or industrial banks, mutual or stock savings banks, savings and loan associations, and credit unions with total deposits of less than \$15 million as of December 31, 1979, may file one weekly report each calendar quarter as specified by the Federal Reserve Bank. All such institutions with total deposits of \$15 million or more, as well as all U.S. branches and agencies of foreign banks, and all Edge Act and Agreement corporations, must file a report each week.²

How to report. The reporting (or computation) period is the seven-day period that begins on Thursday and

ends the following Wednesday. The report shall reflect amounts outstanding as of the close of business each day of the reporting period. For any day on which the reporting institution was closed, the institution should report the closing balances as of the preceding day. Amounts reported should be rounded and reported to the nearest thousand U.S. dollars.

Banks, savings and loan associations, and credit unions shall prepare and file a report that consolidates the head office and all branches (and operations subsidiaries or service corporations, if applicable) located in the 50 states of the United States or the District of Columbia. U.S. branches and agencies of foreign banks and Edge Act and Agreement corporations shall prepare and file a report that combines all offices located within the same state and within the same Federal Reserve District.

Negative or overdrawn balances in account should be regarded as zero when computing deposit totals. Similarly, balances "due from" or "due to" other depository institutions must not be regarded as negative when such accounts are overdrawn; rather, these accounts should be regarded as having a zero balance when computing deposit totals.

With the exception of Item 16 "All Time Deposits in Denominations of \$100,000 or more", which includes large time deposits also reported in Items 13 and 14, deposits should be classified according to the instructions in this booklet or in the related *Detailed Instructions* booklet and reported in only a *single item* on this report. Such single-category reporting is essential in order to avoid the imposition of unnecessary reserve re-

¹Every depository institution that obtains funds from a non-U.S. source or that has non-U.S. offices (excluding those located on U.S. military facilities outside the U.S.) must also file with the Federal Reserve a *Report of Certain Eurocurrency Transactions*. Forms and instructions for this report may be obtained from the Federal Reserve Banks.

²The Federal Reserve Board has deferred reporting and reserve requirements for those depository institutions other than Edge Act and Agreement corporations, U.S. branches and agencies of foreign banks and member commercial banks, with total deposits of less than \$2 million as of December 31, 1979 and less than \$15 million as of December 31, 1980 and as of December 31, 1981. Reporting by such institutions organized *de novo* since December 31, 1979 with less than \$15 million in total deposits as of December 31, 1980 and as of December 31, 1981 is also deferred. When total deposits of such institutions exceed \$15 million after December 31, 1981, the institution must begin reporting on a quarterly basis.

quirements and to provide accurate monetary statistics.

DEFINITIONS

U.S./non-U.S. For purposes of this report, the term "United States" (or "U.S.") is defined as the 50 states of the United States and the District of Columbia. The terms "non-U.S." and "foreign" are defined as Puerto Rico, territories and possessions of the United States, and all countries other than the United States.

Deposits. The term "deposits" has a special meaning in Regulation D and in this report. Deposits include not only funds received by the depository institution for which credit has been or is obligated to be given to a deposit account maintained by the institution, but also certain other liabilities of the institution. Such liabilities arise from "primary obligations" that are issued or undertaken by the depository institution as a means of obtaining funds, and consist of (1) promissory notes (including commercial paper, credit union certificates of indebtedness, and mortgage-backed bonds), acknowledgements of advance, and other similar obligations that are issued to "nonexempt entities" (as defined below); (2) repurchase agreements entered into with "nonexempt entities" on any asset other than an obligation of, or fully guaranteed as to principal and interest by, the U.S. Government or Federal agencies; and (3) due bills, regardless of to whom issued, that have not been collateralized within three business days from the date of issuance by a similar security. Except for due bills described above, primary obligations undertaken with "exempt entities" are not deposits under Regulation D. Note, however, that those liabilities which your institution books as deposits (or shares) are always deposits, regardless of the status of the depositor.

Many of the transactions giving rise to a deposit liability are described in the instructions for specific items to be reported. There are, however, many deposit liabilities, such as those arising from "primary obligations" described above, that are not discussed in detail in these summary instructions. For a thorough discussion of deposits and these types of transactions, please refer to the *Detailed Instructions for the Preparation of the Report of Transaction Accounts, Other Deposits and Vault Cash*.

Exempt entities. The term "exempt entities" that is used in these instructions consists of U.S. offices of the following institutions:

1. U.S. commercial banks and trust companies and their operations subsidiaries;
2. U.S. branches or agencies of a bank organized under foreign (non-U.S.) law;
3. Edge Act and Agreement corporations;
4. industrial banks;
5. mutual and stock savings banks;
6. building or savings and loan associations and homestead associations;
7. cooperative banks;
8. credit unions;
9. the U.S. Government and its agencies and instrumentalities, such as the Federal Reserve Banks, Federal Home Loan Bank Board, Federal Home Loan Banks, Federal Intermediate Credit Banks, Federal Land Banks, Banks for Cooperatives, the Federal Home Loan Mortgage Corporation, Federal Deposit Insurance Corporation, Federal National Mortgage Association,

National Credit Union Administration Central Liquidity Facility, Federal Financing Bank, Student Loan Marketing Association, and National Credit Union Share Insurance Fund;

10. Export-Import Bank of the U.S.;
11. Government Development Bank of Puerto Rico;
12. Minbanc Capital Corporation;
13. securities dealers, but only when the borrowing (a) has a maturity of one day, (b) is in immediately-available funds, and (c) is in connection with the clearance of securities;
14. the U.S. Treasury (Treasury Tax and Loan Account note balances); and
15. New York State investment companies (chartered under Article XII of the New York State Banking Code) that perform a banking business and are majority-owned by one or more non-U.S. banks.
16. Investment companies and trusts in which the entire beneficial interest is held by depository institutions.

Nonexempt entities. The term "nonexempt entities" includes any institution *other than* those listed above under "exempt entities."

Personal deposits. Personal savings and time deposits include non-transferable deposits in which the *entire* beneficial interest is held by a natural person (an individual or a sole proprietorship). For any such deposit issued *on or after* October 1, 1980, the document that evidences the account—whether in certificate, passbook, statement, contract, or book-entry form—must contain a statement indicating that the deposit is nontransferable; however, a deposit

issued to and held by a natural person prior to October 1, 1980, regardless of its transferability, is also a personal deposit. Any deposit in which the entire beneficial interest is held by a natural person in an Individual Retirement Account or Keogh Plan Account, in a nontransferable time deposit account held by an employer as part of an unfunded deferred compensation plan established pursuant to subtitle D of the Revenue Act of 1978 (Pub. L. No. 95-600, 92 Stat. 2763), in an escrow account, or in an account held by a trustee or other fiduciary is also a personal time deposit.

Nonpersonal deposits. Nonpersonal savings and time deposits are defined to include deposits in which any beneficial interest is held by a depositor other than a natural person, or any deposit issued on or after October 1, 1980, that does not specifically state that it is non-transferable. A depositor other than a natural person includes a partnership, a governmental unit, and any corporation, even if owned solely by an individual.

Treatment of pass-through balances. A depository institution may satisfy reserve requirements by holding vault cash or by holding its required reserve balance at the Federal Reserve. A depository institution that is not a member of the Federal Reserve System, a U.S. branch or agency of a foreign bank, or an Edge Act or Agreement corporation ("respondent") is authorized to hold its required reserve balance at the Federal Reserve in one of two ways. The respondent may deposit its required reserve balance directly with the Federal Reserve Bank or Branch which serves the territory in which it is located. Alternatively, in accordance with procedures adopted by the Board, the respondent may elect to pass its required reserve balance through a "correspondent." The correspondent may be a Federal Home Loan Bank,

the NCUA Central Liquidity Facility, a depository institution that holds a required reserve balance directly at a Federal Reserve Bank or Branch, or an institution that has been authorized by the Board to pass through required reserve balances. The correspondent must pass through these required reserve balances to the Federal Reserve Bank or Branch in the territory in which the main office of the nonmember respondent institution is located.

The correspondent institution shall exclude from this report all balances received from nonmember respondent institutions and subsequently passed through to the appropriate Federal Reserve Bank or Branch. A respondent institution shall exclude from this report all balances that the correspondent passes through to the Federal Reserve Bank or Branch on behalf of the respondent.

ITEM-BY-ITEM INSTRUCTIONS

Transaction Accounts (Items 1 through 7)

Transaction accounts include all demand deposits and all other accounts from which the depositor or account holder is permitted to make withdrawals by (1) negotiable or transferable instruments (such as checks, drafts, negotiable orders of withdrawal, or share drafts); (2) the use of a debit card; (3) telephone or preauthorized transfers to third parties or to another account, when more than three such transfers per month—defined as a calendar month, or any period approximating a month that is at least four weeks long, such as a statement cycle—are permitted; and (4) transfers to third parties through the use of an automated teller machine (ATM) or remote service unit (RSU). Transaction accounts are reported in Items 1 through 7 as defined below.

Demand deposits, to be reported in

Items 1 through 3, are defined as deposits that are payable immediately on demand or issued in original maturities of less than 14 days, or that are payable with less than 14 days notice, or for which the depository institution does not reserve the right to require at least 14 days written notice of an intended withdrawal. For purposes of this report, demand deposits include, but are not limited to, (1) checking accounts (excluding NOW or share draft accounts); (2) certified, officers', bank, tellers', and cashiers' checks drawn on the reporting institution; (3) unremitted funds from the sale of travelers' checks or money orders; (4) taxes, insurance premiums or other funds withheld from the salaries of employees of the reporting institution; (5) matured time deposits or credit union share certificates (unless the deposit agreement specifically provides for automatic renewal at maturity or for transfer of the funds to a savings or share account); (6) credit balances that meet the definition of demand deposits; (7) funds received or held in connection with letters of credit sold to customers; and (8) funds received or held in escrow or trust accounts that may be withdrawn on demand or within 14 days from the date of deposit.

Demand deposits also include those liabilities referred to as "primary obligations" that are described earlier under Definitions, and that are issued in original maturities of less than 14 days or payable with less than 14 days notice.

Item 1.a: Demand Deposits Due to Banks. Report in this item the balance of all demand deposits (excluding "primary obligations" other than due bills that are not collateralized within three business days as described earlier) that are due to U.S. offices of the following institutions located in the United States: (1) commercial banks (including private banks) or industrial banks and trust companies

conducting a commercial banking business; (2) U.S. branches and agencies of foreign banks; (3) Edge Act and Agreement corporations; and (4) New York State investment companies (chartered under Article XII of the New York State Banking Code) that perform a banking business and that are majority-owned by one or more non-U.S. banks; and (5) banker's banks that are organized as commercial banks. All demand balances due to these institutions may be reported gross or net (on an institution-by-institution basis) of balances due from these institutions.

Also include in this item all demand balances due to non-U.S. offices of other U.S. banks, of other Edge Act and Agreement corporations, and of foreign banks. All demand balances due to these institutions must be reported gross.

Item 1.b: Demand Deposits Due to Other Depository Institutions. Report in this item the balance of all demand deposits (excluding "primary obligations" other than due bills that are not collateralized within three business days as described earlier) that are due to mutual or stock savings banks, including those that are bankers' banks; building or savings and loan associations, homestead associations, or cooperative banks, including those that are bankers' banks, and credit unions (including corporate central credit unions). All demand balances due to these institutions must be reported gross.

Item 2: U.S. Government Demand Deposits. Report in this item the balance of all demand deposits (excluding "primary obligations" other than due bills that are not collateralized within three business days as described earlier) that are subject to control or regulation by the U.S. Government, including U.S. Treasury Tax and Loan Accounts (such as Federal income tax payments, social security tax deposits, other Federal tax

payments, and the proceeds from the sale of U.S. Savings Bonds); U.S. Treasury general accounts; U.S. Treasury compensating balance accounts; Postmaster's demand deposit accounts; and demand deposits of the Tennessee Valley Authority and disbursing officers of the Department of Defense and the Department of the Treasury.

Exclude demand deposits due to U.S. Government agencies and instrumentalities and demand deposits due to state or local governments or their political subdivisions (reported in Item 3). Exclude from this item and from this report Treasury Tax and Loan Account note balances.

Item 3: Other Demand Deposits. Report in this item the balance of all demand deposits (excluding "primary obligations" other than due bills that are not collateralized within three business days except as described in the following paragraph) that are held for individuals, partnerships, and corporations; state and local governments and their political subdivisions; U.S. Government agencies and instrumentalities; foreign governments and international institutions; non-deposit or limited purpose trust companies; and trust departments of the reporting institution and of other institutions. This item should also include withheld state and local government taxes, insurance premiums and similar items; certified, officers', bank tellers', and cashiers' checks; unremitted funds from the sale of travelers' checks and money orders; and noninterest-bearing deposits subject to negotiable orders of withdrawal (NINOWS); and deposits subject to payment order of withdrawal (POWs).

Also include in this item those liabilities referred to as "primary obligations" that are described earlier under Definitions, and that are issued in original maturities of less than 14 days or payable with less than 14 days notice.

Item 4: ATS Accounts. Report in this item the balance of all savings deposits of individuals that are authorized for automatic transfer to demand deposit or other accounts pursuant to written agreement arranged in advance between the reporting institution and the depositor. A savings account from which *more than three* transfers could be made in a month to a checking, NOW, or share draft account to cover overdrafts shall be regarded as a transaction account and reported in this item. A month is defined as a calendar month, or any period approximating a month that is at least four weeks long, such as a statement cycle.

Item 5: Telephone or Preauthorized Transfer Accounts. Report in this item the balance of savings deposits, share accounts, or time deposits from which the depositor is permitted or authorized to make *more than three* withdrawals per month for purposes of transferring funds to another account or for making a payment to a third party by means of preauthorized or telephone agreement, order, or instruction. An account that permits or authorizes more than three such withdrawals in a calendar month is included in this item whether or not more than three such withdrawals actually are made. A month is defined as a calendar month, or any period approximating a month that is at least four weeks long, such as a statement cycle.

Also report in this item the balance of all savings deposits and time deposits (including share and share certificate accounts) from which payments may be made to third parties by means of a debit card, an automated teller machine, remote service unit, or other electronic device, regardless of the number of payments made.

An account is not a transaction account merely by virtue of an arrangement that permits withdrawals

for the purpose of repaying loans and associated expenses at the same reporting institution (as originator or servicer). In addition, an account is not a transaction account merely because withdrawals to be paid directly to the depositor can be effected by telephone or preauthorized order.

Exclude from this item those accounts that permit *no more than three* telephone or preauthorized transfers a month, and all demand deposits, ATS accounts, and NOW accounts, even if telephone or preauthorized transactions are permitted from such accounts.

Item 6: NOW Accounts/Share Drafts. Report in this item the balance of all interest-bearing negotiable order of withdrawal (NOW) accounts and all share draft accounts.

Item 7: Total Transaction Accounts. Report in this item the sum of Items 1.a, 1.b, 2, 3, 4, 5, and 6.

Deductions (Items 8 and 9)

Item 8: Demand Balances Due From Depository Institutions in the U.S. Report in this item the balance of all deposits (excluding "primary obligations" other than due bills that are not collateralized within three business days as described earlier) subject to immediate withdrawal that are due from U.S. offices of the following institutions located in the U.S.: (1) commercial or industrial banks and trust companies conducting a commercial banking business; (2) Edge Act and Agreement corporations; (3) U.S. branches and agencies of foreign (non-U.S.) banks; (4) mutual or stock savings banks; (5) credit unions; and (6) building or savings and loan associations, homestead associations, or cooperative banks; and (7) all depository institutions that are bankers' banks as defined in 12 CFR § 204.121.

Exclude from this item all balances

due from Federal Reserve Banks, including (1) your institution's reserve balances held directly with the Federal Reserve; (2) your institution's reserve balances that were passed through to the Federal Reserve by a correspondent; (3) reserve balances of another institution for which your institution is serving as pass-through agent (correspondent) and that were passed through by your institution to the Federal Reserve; and (4) your institution's clearing balances maintained at a Federal Reserve Bank (see the paragraph above under Definitions on "Treatment of pass-through balances").

Also exclude (1) all balances due from any non-U.S. office of a U.S. depository institution; any non-U.S. office of a foreign bank; trust companies that do not conduct a commercial banking business; and New York State investment companies (chartered under Article XII of the New York State Banking Code) that perform a banking business and that are majority-owned by one or more non-U.S. banks; private banks; Federal Home Loan Banks; and National Credit Union Administration Central Liquidity Facility; (2) balances due from other depository institutions that are pledged by your institution; (3) time and savings deposit balances held at other depository institutions; (4) trust funds deposited in other depository institutions by your institution's trust department; and (5) cash items in process of collection.

Item 9: Cash Items in Process of Collection. Report in this item the balance of all cash items in process of collection, including:

1. Checks or share drafts in the process of collection, drawn on a bank or other depository institution, that are payable immediately upon presentation in the United States, including checks or drafts forwarded to a Federal Reserve Bank in process of collec-

tion and checks or drafts on hand that will be presented for payment or forwarded for collection on the following business day. If the reporting institution is given immediate credit for checks or drafts deposited with its correspondent, report such checks or drafts as "due from" balances in Item 8.

2. Government checks drawn on the Treasury of the United States that are in the process of collection.
3. Such other items in the process of collection that are payable immediately upon presentation in the United States and that are customarily cleared or collected by depository institutions as cash items, including (a) drafts payable through another depository institution; (b) NOW or NINOW account drafts; (c) credit union share drafts; (d) redeemed bonds and coupons; (e) food coupons and certificates; (f) postal and other money orders, and traveler's checks; (g) amounts credited to deposit accounts in connection with automated payment arrangements where such credits are made one business day prior to the scheduled payment date to insure that funds are available on the payment date; (h) returned items and unposted debits; and (i) broker security drafts.

Exclude from cash items in process of collection any items handled as non-cash collections, credit card sales slips and drafts, and debit slips.

Other Savings Deposits (Items 10 and 11)

Savings deposits (including credit union regular share accounts) are defined as deposits (including "primary obligations" as described earlier) that are not payable on a specified date or after a specified period of time from the date of deposit, but for which the depository

institution expressly reserves the right to require at least 14 days written notice before an intended withdrawal.

Report in Item 10 or 11 the balance of all savings deposits *not* reported as transaction accounts in Items 1 through 6. Other savings deposits include: (1) savings deposits subject to telephone or preauthorized transfer where the depositor is *not* permitted or authorized to make more than three withdrawals per calendar month, or any period approximating a month that is at least four weeks long, for purposes of transferring funds to another account or for making a payment to a third party; (2) savings deposits in the form of IRA or Keogh Plan Accounts; (3) escrow and trust accounts that meet the criteria for savings deposits; (4) credit balances that meet the criteria for savings deposits; (5) matured time deposits if the contract calls for conversion to a savings deposit upon maturity; and (6) interest or dividends paid by crediting savings deposits accounts.

All club accounts or special purpose accounts, such as Christmas, vacation, or similar accounts (whether in the form of savings or time deposits), should be reported as savings deposits by all Edge Act and Agreement corporations and by all commercial banks that were members of the Federal Reserve System (1) on September 1, 1980 or (2) on or after July 1, 1979 but that withdrew from membership prior to September 1, 1980. For all other depository institutions, only those club accounts in the form of savings deposits should be reported as savings deposits; those club accounts in the form of time deposits should be reported as time deposits (Item 13 or 14).

Note that for commercial banks, Edge Act and Agreement corporations, and U.S. branches and agencies of foreign banks, savings deposits held by a corporation, association, or other

organization operated for profit are limited to \$150,000. "Savings" deposits in excess of this amount must be reported as demand deposits.

Exclude from other savings deposits any NOW or share draft accounts (reported in Item 6); NINOW and POW accounts (reported in Item 3); ATS accounts (reported in Item 4); special passbook or statement accounts, such as "ninety-day notice accounts," "golden passbook accounts", or savings certificates, that have a specified original maturity or required notice period of 14 days or more (reported in Items 13 or 14); and interest or dividends accrued but not yet paid or credited to a savings deposit or share account.

Item 10: Other Savings Deposits—Personal. Report in this item the balance of all other savings deposits or share accounts that represent funds in which the *entire* beneficial interest is held by one or more natural persons. Also include as "personal" savings deposits: (1) all Individual Retirement Accounts (IRA) and Keogh Plan Accounts in the form of savings deposits, and (2) trust funds held in the name of a trustee or other fiduciary if the *entire* beneficial interest is held by a natural person and other conditions of a savings deposit are met. In addition, escrow accounts are regarded as "personal" savings deposits if the depositor is a natural person and the other conditions of a savings deposit are met, even if the funds are held by the reporting institution as escrow agent.

Item 11: Other Savings Deposits—Nonpersonal. Report in this item the balance of all other savings deposits or share accounts that are transferable and that represent funds in which any beneficial interest is held by a depositor that is not a natural person.

Item 12: Total Other Savings Deposits. Report in this item the sum of Items 10 and 11.

Time Deposits (Items 13 through 16)

Time deposits are defined as deposits that are payable on a specified date, after a specified period of time from the date of deposit, or after a specified notice period, which in all cases may not be less than 14 days from the date of deposit. Time deposits may be interest-bearing or noninterest-bearing. For purposes of this report, time deposits include, but are not limited to, (1) time certificates of deposit or share certificate accounts (whether negotiable or nonnegotiable); (2) time deposit or share certificate open accounts; (3) savings certificates, notice accounts, and passbook accounts; (4) money market time deposits; (5) escrow funds or trust accounts that meet the criteria of time deposits; (6) credit balances that meet the definition of time deposits; (7) all Individual Retirement Accounts (IRA) and Keogh Plan Accounts held in the form of time deposits; (8) Non-transferable time deposits held by an employer as part of an unfunded deferred compensation plan established pursuant to subtitle D of the Reserve Act of 1978 (Pub. L No. 95-600, 92 Stat. 2763); (9) time deposits or share certificates maintained as compensating balances or pledged as collateral for loans; and (10) all interest or dividends paid by crediting time deposit accounts.

Time deposits also include those liabilities referred to as "primary obligations" that are described earlier, and that are issued in an original maturity or with a required notice period of 14 days or more.

In addition, all depository institutions *other than* Edge Act and Agreement corporations, commercial banks that were members of the Federal Reserve System on September 1, 1980, and commercial banks that were members of the System on or after July 1, 1979 but withdrew from membership prior to September 1, 1980, should include as time deposits those club accounts

in the form of time deposits (see paragraph under "Other Savings Deposits" for treatment of club accounts).

Exclude from time deposits matured time deposits that are not automatically renewed (to be reported as a demand or savings deposit, as appropriate). Exclude from time deposits and from this report subordinated notes and debentures, borrowings from "exempt entities", and interest or dividends accrued but not yet paid or credited to a time deposit or share certificate account.

Item 13: Time Deposits—Personal. Report in this item all time deposits, regardless of maturity, that meet the criteria for "personal" deposits as specified in the Definitions section.

Item 14: Time Deposits—Non-personal. Report in Item 14.a the balance of all time deposits that meet the criteria for "nonpersonal" time deposits as specified in the Definitions section with original maturities of less than 3½ years. Report in Item 14.b the balance of all time deposits that meet the criteria for "nonpersonal" time deposits as specified in the Definitions section with original maturities of 3½ years or more.

Item 15: Total Time Deposits. Report in this item the sum of Items 13, 14.a, and 14.b.

Item 16: All time deposits in denomination of \$100,000 or more. Report in this item the balance of all time deposits (including share certificate accounts), both personal and nonpersonal, of \$100,000 or more reported in Item 13 or 14. Include deposits issued in denominations of less than \$100,000 that, because of interest or dividends paid or credited, have a current balance of \$100,000 or more. Also include all "primary obligations" that are reported in Item 13 or 14.

In determining if a time deposit is

\$100,000 or more, do not combine separate accounts or certificates, even if held by the same customer.

Item 17: Vault Cash (tellers' cash, cash working funds). Include as vault cash only U.S. currency and coin owned and held by the reporting institution, whether or not held on the premises, that may, at any time, be used to satisfy depositors' claims; U.S. currency and coin in transit to a Federal Reserve Bank or a correspondent depository institution if the reporting institution has not yet received credit; and U.S. currency and coin in transit from a Federal Reserve Bank or a correspondent depository institution if the reporting institution has already been charged.

Exclude foreign currency and coin; currency and coin whose numismatic or bullion value is in excess of face value; and currency and coin that the reporting institution does not have the full right to use, such as coin collections held for safekeeping, or currency and coin sold under a repurchase agreement or purchased under a resale agreement.

Schedule A: Other Reservable Obligations by Remaining Maturity. For a discussion of the items to be reported in this schedule (obligations by affiliates and ineligible acceptances), refer to the *Detailed Instructions for the Preparation of the Report of Transaction Accounts, Other Deposits and Vault Cash.*

APPENDIX D

1982 Reporting and Reserve Maintenance Schedules

Member and Nonmember Quarterly Respondents

	Group A Reporters ¹	Group B Reporters ¹	Group C Reporters ¹
<i>1981—4th Quarter</i>			
Computation Period	Oct. 15 - 21	Nov. 19 - 25	Dec. 17 - 23
Maintenance Period	Nov. 12 - Feb. 17	Dec. 17 - Mar. 17	Jan. 14 - Apr. 14
<i>1982—1st Quarter</i>			
Computation Period	Jan. 21 - 27	Feb. 18 - 24	Mar. 18 - 24
Maintenance Period	Feb. 18 - May 12	Mar. 18 - June 16	Apr. 15 - July 14
<i>1982—2nd Quarter</i>			
Computation Period	Apr. 15 - 21	May 20 - 26	June 17 - 23
Maintenance Period	May 13 - Aug. 11	June 17 - Sept. 15	July 15 - Oct. 13
<i>1982—3rd Quarter</i>			
Computation Period	July 15 - 21	Aug. 19 - 25	Sept. 16 - 22
Maintenance Period	Aug. 12 - Nov. 17	Sept. 16 - Dec. 15	Oct. 14 - Jan. 12
<i>1982—4th Quarter</i>			
Computation Period	Oct. 21 - 27	Nov. 18 - 24	Dec. 16 - 22
Maintenance Period	Nov. 18 - Feb. 16	Dec. 16 - Mar. 16	Jan. 13 - Apr. 13

¹Under 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 quarter (i.e., March, June, September, and December).

List of Federal Reserve Banks and Branches

<i>FEDERAL RESERVE BANK</i>	<i>ADDRESS</i>
BOSTON*	600 Atlantic Avenue, Boston, Massachusetts 02106
NEW YORK*	33 Liberty Street (Federal Reserve P.O. Station), New York, New York 10045
Buffalo Branch	160 Delaware Avenue (P.O. Box 961), Buffalo, New York 14240
PHILADELPHIA	100 North Sixth Street (P.O. Box 66), Philadelphia, Pennsylvania 19105
CLEVELAND*	1455 East Sixth Street (P.O. Box 6387), Cleveland, Ohio 44101
Cincinnati Branch	150 East Fourth Street (P.O. Box 999), Cincinnati, Ohio 45201
Pittsburgh Branch	717 Grant Street (P.O. Box 867), Pittsburgh, Pennsylvania 15230
RICHMOND*	701 East Byrd Street (P.O. Box 27622), Richmond, Virginia 23219
Baltimore Branch	114-120 East Lexington Street (P.O. Box 1378), Baltimore, Maryland 21203
Charlotte Branch	401 South Tryon Street (P.O. Box 30248), Charlotte, North Carolina 28230
Culpeper Communications and Records Center	P.O. Drawer 20, Culpeper, Virginia 22701
ATLANTA	104 Marietta Street, N.W., Atlanta, Georgia 30303 (P.O. Box 1731, Atlanta, Georgia 30301)
Birmingham Branch	1801 Fifth Avenue, North (P.O. Box 10447), Birmingham, Alabama 35202
Jacksonville Branch	515 Julia Street, Jacksonville, Florida 32231
Miami Branch	3770 S.W. 8th Street, Coral Gables, Florida 33178 (P.O. Box 52087, Miami, Florida 33152)
Nashville Branch	301 Eighth Avenue, North, Nashville, Tennessee 37203
New Orleans Branch	525 St. Charles Avenue (P.O. Box 61630), New Orleans, Louisiana 70161
CHICAGO*	230 South LaSalle Street (P.O. Box 834), Chicago, Illinois 60690
Detroit Branch	160 Fort Street, West (P.O. Box 1059), Detroit, Michigan 48231
ST. LOUIS	411 Locust Street (P.O. Box 442), St. Louis, Missouri 63166
Little Rock Branch	325 West Capitol Avenue (P.O. Box 1261), Little Rock, Arkansas 72203
Louisville Branch	410 South Fifth Street (P.O. Box 32710), Louisville, Kentucky 40232
Memphis Branch	200 North Main Street (P.O. Box 407), Memphis, Tennessee 38101
MINNEAPOLIS	250 Marquette Avenue, Minneapolis, Minnesota 55480
Helena Branch	400 North Park Avenue, Helena, Montana 59601
KANSAS CITY	925 Grand Avenue, Kansas City, Missouri 64198
Denver Branch	1020 16th Street (P.O. Box 5228, Terminal Annex), Denver, Colorado 80217
Oklahoma City Branch	226 Dean A. McGee, Avenue (P.O. Box 25129), Oklahoma City, Oklahoma 73125
Omaha Branch	102 South Seventeenth Street, Omaha, Nebraska 68102
DALLAS	400 South Akard Street (Station K), Dallas, Texas 75222
El Paso Branch	301 East Main Street (P.O. Box 100), El Paso, Texas 79999
Houston Branch	1701 San Jacinto Street (P.O. Box 2578), Houston, Texas 77001
San Antonio Branch	126 East Nueva Street (P.O. Box 1471), San Antonio, Texas 78295
SAN FRANCISCO	400 Sansome Street (P.O. Box 7702), San Francisco, California 94120
Los Angeles Branch	409 West Olympic Boulevard (P.O. Box 2077), Los Angeles, California 90051
Portland Branch	915 S.W. Stark Street (P.O. Box 3436), Portland, Oregon 97208
Salt Lake City Branch	120 South State Street (P.O. Box 30780), Salt Lake City, Utah 84130
Seattle Branch	1015 Second Avenue (P.O. Box 3567), Seattle, Washington 98124

*Additional offices of these Banks are located at Lewiston, Maine 04240; Windsor Locks, Connecticut 06096; Cranford, New Jersey 07016; Jericho, New York 11753; Utica at Oriskany, New York 13424; Columbus, Ohio 43216; Columbia, South Carolina 29210; Charleston, West Virginia 25311; Des Moines, Iowa 50306; Indianapolis, Indiana 46204; and Milwaukee, Wisconsin 53202.

Boundaries of Federal Reserve Districts and Their Branch Territories



Legend

- Boundaries of Federal Reserve Districts
- Boundaries of Federal Reserve Branch Territories
- ★ Board of Governors of the Federal Reserve System
- Federal Reserve Bank Cities
- Federal Reserve Bank Facility
- Federal Reserve Branch Cities