FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 83-20
February 4, 1983

REGULATION D

RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS

(Amendments)

TO ALL DEPOSITORY INSTITUTIONS IN THE
ELEVENTH FEDERAL RESERVE DISTRICT:

The Board of Governors of the Federal Reserve System has recently made several revisions to its Regulation D concerning Reserve Requirements of Depository Institutions. The major topics addressed by these revisions are as follows:

1. Several changes in rules to implement provisions of the Garn-St. Germain Depository Institutions Act of 1982 have been made concerning the general areas of reservable liabilities subject to a zero percent reserve requirement, features of the new Money Market Deposit Account, and depositors eligible to maintain NOW accounts.

2. The end of the phase-in of reserve requirements for member banks under the Monetary Control Act has been changed to correspond to the beginning of contemporaneous reserve accounting.

3. Time deposits issued in connection with an agreement permitting the depositor to obtain credit by check or similar devices for the purpose of making payments or transfers to third parties have been defined as transaction accounts.

The attached press releases and Federal Register documents summarize all these changes and provide final rules.

If you have any questions in this regard, please contact Allan Neale, (214) 651-6334 at the Head Office; Javier Jimenez, (915) 544-4730 at the El Paso Branch; Rodney Franklin, (713) 659-4433 at the Houston Branch; or Pete Castleberry, (512) 224-2141 at the San Antonio Branch.

Additional copies of this circular will be furnished upon request to the Public Affairs Department, Extension 6289.

Sincerely yours,

William H. Wallace

William H. Wallace
First Vice President

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

FEDERAL RESERVE press release

For immediate release December 2, 1982

The Federal Reserve Board has made several changes in its rules to implement recently enacted legislation affecting reserve requirements and the availability of NOW accounts.

The Garn-St Germain Depository Institutions Act of 1982 provides:

--That the first $2 million of reservable liabilities in depository institutions are to be subject to a zero percent reserve requirement;

--That depository institutions are to be authorized to issue a new type of account, designated a Money Market Depository Account (MMDA), to be competitive with money market mutual funds; and

--That governmental units are eligible to maintain NOW accounts.

To conform its regulations to the requirements of the Garn-St Germain Act affecting reserve requirements, the Board revised its Regulation D -- Reserve Requirements of Depository Institutions -- as follows:

1. Effective with the reserve computation period beginning December 9, 1982, and with the reserve maintenance period beginning December 23, the first $2.1 million deposits subject to reserve requirements at depository institutions are subject to a zero percent reserve requirement. The exemption amount of $2.1 million takes into account the growth in deposits for the one-year period ending June 30, 1982, as required by the Act.

This will completely exempt some 24,600 institutions, including approximately 18,400 institutions with total deposits of less than $2 million that have previously been exempted from reserve requirements by Board order, or that have no reservable liabilities.

Institutions that are now reporting their reserve liabilities to the Federal Reserve should continue to report until further notice, even if they are exempt from holding reserves under this provision of the Act.

2. With respect to the new Money Market Deposit Account authorized by the Garn-St Germain Act, the Depository Institutions Deregulation Committee (DIDC) has authorized depository institutions to issue an MMDA with the following principal features: An account available to all depositors, including businesses; with no regulatory interest rate ceiling so long as a balance of $2,500 is maintained; up to six automatic or preauthorized transfers monthly, up to three of which can be by draft; no restriction on withdrawals made in person, by messenger or by mail.

The DIDC also authorized -- but said it would reconsider at its December 6 meeting -- unlimited telephone transfers by the account holder from an MMDA to other accounts of the depositor at the same institution.

The Act and its legislative history provide that the MMDA account is not to be subject to transaction account reserve requirements (generally, 12 percent) even though up to six third party transfers, including up to three by draft, are permitted.

The Board established for such accounts the same reserve requirements that apply to savings accounts: a zero percent requirement for personal MMDAs and a 3 percent requirement for nonpersonal MMDAs.

For MMDAs established with telephone transfer privileges beyond the six authorized transfers, the transaction account reserve requirement of 12 percent will apply.

The reserve percentages are those that will apply when the current phasing-in of new reserve requirements under the Monetary Control Act is completed. Member banks are phasing down to the new requirements on a 3 1/2 year schedule to end

in February 1984. Nonmember institutions are phasing up to the reserve requirements of the Monetary Control Act over a period ending in September 1987.

The Board also amended its Regulation Q -- Interest on Deposits -- to authorize member banks to permit governmental units -- not previously eligible -- to place deposits in NOW accounts. This action conformed Regulation Q to provisions of the Garn-St Germain Act. Entities eligible to maintain NOW accounts as a result of this action include the Federal government, State governments, county and municipal governments and their political subdivisions, the District of Columbia, the Commonwealth of Puerto Rico, American Samoa, Guam, any territory or possession of the United States and their political subdivisions.

This action was made effective October 15, 1982, the date of enactment of the Garn-St Germain Act.

Finally, under the terms of the Monetary Control Act of 1980, the Board increased from $26 million to $26.3 million the amount of transaction account deposits subject to a reserve requirement ratio of 3 percent. The Montary Control Act requires that this low reserve tranche be recalculated yearly based on the change in total transaction accounts at all depository institutions determined as of June 30.

Details of this adjustment and of the other Board actions described here are set forth in attached official notices.

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Attachments

FEDERAL RESERVE SYSTEM

[12 CFR Part 204]

Regulation D

[Docket No. R-0441]

RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS

Exemption for First $2 Million of Reservable Liabilities

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final rule.

SUMMARY: The Board has amended Regulation D--Reserve Requirements of Depository Institutions (12 CFR Part 204) to implement section 411 of the Garn-St Germain Depository Institutions Act of 1982 (Pub. L. 97-320; 96 Stat. 1520) ("Garn-St Germain Act"). Under this provision, the first $2 million of reservable liabilities of each depository institution are subject to a reserve requirement of zero percent. The effect of this provision is to completely exempt from basic Federal reserve requirements small depository institutions.

EFFECTIVE DATE: December 9, 1982. This date is the beginning of the first reserve computation period to which the exemption from reserve requirements will apply.

FOR FURTHER INFORMATION CONTACT: Gilbert T. Schwartz, Associate General Counsel (202/452-3625), or Paul S. Pilecki, Senior Attorney (202/452-3281), Legal Division, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

SUPPLEMENTARY INFORMATION: The Monetary Control Act of 1980 (Title I of Pub. L. 96-221) ("MCA") requires all depository institutions that maintain transaction accounts or nonpersonal time deposits to maintain reserve requirements that are uniformly applied regardless of an institution's size. However, in implementing the MCA in October 1980, the Board deferred for six months, until May 1981, reserve and deposit reporting requirements of nonmember depository institutions that had less than $2 million in total deposits as of December 31, 1979.1/ The deferral was granted on the basis that immediately requiring such

1/ The deferral was not applicable to member banks, Edge or Agreement corporations, or U.S. branches and agencies of foreign banks.

institutions to submit reports and maintain reserves might have caused significant operational difficulties for the System and would have interfered with the orderly implementation of the MCA. Reserve requirements on such institutions were deferred for three additional six-month periods because of pending Congressional consideration of whether a permanent exemption from reserve requirements should be granted to smaller depository institutions.

Section 411 of the Garn-St Germain Act, which was enacted on October 15, 1982, provides that $2 million of reservable liabilities[2/] of each depository institution shall be subject to a zero percent reserve requirement. The Board is to adjust the amount of reservable liabilities subject to this zero percent reserve requirement each year for the next succeeding calendar year by 80 percent of the percentage increase in the total reservable liabilities of all depository institutions, measured on an annual basis as of June 30. No corresponding adjustment is to be made in the event of a decrease in total reservable liabilities of all depository institutions. The Garn-St Germain Act permits each depository institution, in accordance with the rules and regulations of the Board, to designate the reservable liabilities to which this reserve requirement exemption is to apply. However, if transaction accounts are designated, only those that would otherwise be subject to a three percent reserve requirement (i.e., transaction accounts within the low reserve requirement tranche) may be so designated. As a result, the effect of this amendment is to modify the low reserve tranche (which is currently $26 million) to apply a zero percent reserve requirement on the first $2 million of transaction acounts and a 3 percent reserve requirement on the remainder of the low reserve tranche, or to provide a zero percent reserve requirement tranche on nonpersonal time deposits with maturities of less than 3-1/2 years or Eurocurrency liabilities, both of which are subject to a reserve requirement ratio of three percent. The legislative history of the Garn-St Germain Act indicates that the Board has 60 days to implement this provision (H. R. Rep. No. 775, 97th Cong., 2nd Sess. 5 (1982)).

The Board has amended Regulation D to implement the exemption from reserve requirements provided by the Garn-St Germain Act. While the Garn-St Germain Act provides that institutions may designate the liabilities against which the exemption will be applied, the Board has adopted a procedure for allocating the exemption that will facilitate the operations of the Reserve Banks and preclude the need for an additional report from depository institutions to designate allocation of the exemption. The Board will use these procedures since the choice of liabilities will not affect the amount of reserve requirements of a depository institution. However, should reserve requirements be changed

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2/ The Act defines reservable liabilities as transaction accounts, nonpersonal time deposits, and Eurocurrency liabilities as defined in section 19(b)(5) of the Federal Reserve Act.

in the future such that nonpersonal time deposits or Eurocurrency liabilities had a higher reserve requirement, the Board would reconsider the order of allocating the exemption.

Under the Board's action, the Federal Reserve Banks will calculate a depository institution's reserve requirements taking into account the $2 million of reservable liabilities that are subject to a zero percent reserve requirement. The exemption will be applied first to transaction accounts and then to other types of reservable liabilities. The amount of the exemption applied to total transaction accounts will be subtracted from a depository institution's low reserve requirement tranche. The exemption will be applied to reservable liabilities as follows:

For institutions that are not allowed a phase-in on NOW accounts

1. Net NOW accounts (NOW accounts less allowable deductions)

2. Net other transaction accounts (other transaction accounts less allowable deductions)

3. Nonpersonal time and savings deposits with maturities of less than 3-1/2 years

4. Eurocurrency liabilities

For institutions that are allowed a phase-in on NOW accounts

1. Net transaction accounts

2. Nonpersonal time and savings deposits with maturities of less than 3-1/2 years

3. Eurocurrency liabilities

A single depository institution will be allowed only one $2 million exemption from reserve requirements. Thus, for depository institutions with offices in more than one state or in more than one Federal Reserve District, an allocation of the exemption will be required. Initially, the Reserve Banks will allocate the $2 million exemption in the same proportion that the low reserve tranche for transaction accounts has been allocated by a depository institution, an Edge or Agreement corporation, or a foreign bank's U.S. branches or agencies. Beginning in 1983, such institutions will be permitted to designate the specific offices to which the exemption will apply. The amount of exemption allocated to a particular office may not exceed the amount of the low reserve tranche that is allocated to that office.

The Garn-St Germain Act also provides that the Board shall issue a regulation before December 31 of each year, beginning in 1982, adjusting for the next calendar year the dollar amount of reservable liabilities exempt from reserve requirements. The change in the amount is to be made only if the total reservable liabilities held at all depository institutions increases from one year to the next. The increase in the tranche is to be 80 percent of the percentage increase in total reservable liabilities of all depository institutions determined as of June 30 each year. The growth in total reservable liabilities of all depository institutions from June 30, 1981 to June 30, 1982, was 4.33 percent. In accordance with this provision of the Garn-St Germain Act, the Board is also amending Regulation D to increase the amount of the reserve requirement exemption to $2.1 million. In order to aid Federal Reserve Banks in the transition to the new exemption, this increased amount will apply with the implementation of the reserve requirement exemption.

This amendment will be effective for the reserve computation period that begins on December 9, 1982. For a depository institution that reports deposits and maintains reserves on a quarterly basis, reserve requirements will be reduced for the reserve maintenance week that begins on December 23, 1982, regardless of when such an institution's most recent reserve computation period occurred. In addition, all entities currently submitting Form FR 2900 will continue to submit reports to the Federal Reserve under current reporting procedures. The Board will be considering revised reporting procedures in the near future.

The provisions of 5 U.S.C. § 553(b) relating to notice and public participation have not been followed in connection with adoption of this amendment because the change involves the implementation of a statutory provision that is effective within 60 days of enactment. Thus, the Board has determined that notice and public participation is unnecessary in connection with this action. The effective date of the amendment has not been deferred pursuant to 5 U.S.C. § 553(d), since the Board's action relieves a restriction by reducing reserve requirements of depository institutions.

List of Subjects in 12 CFR Part 204

Banks, banking; Currency; Federal Reserve System; Penalties; Reporting requirements.

Pursuant to its authority under section 411 of the Garn-St Germain Depository Institutions Act of 1982 (P.L. 97-320; 96 Stat. 1520; to be codified at 12 U.S.C. § 461(b)(11)), the Board amends Regulation D (12 CFR Part 204) effective December 9, 1982, as follows:

1. In paragraph (a) of section 204.3, by adding a new subparagraph (3) to read as follows:

SECTION 204.3--COMPUTATION AND MAINTENANCE

* * * * *

(3) Allocation of exemption from reserve requirements. (i) In determining the reserve requirements of a depository institution, the exemption provided for in section 204.9(a) shall apply in the following order of priorities: (A) first, to net transaction accounts that are first authorized by federal law in any state after April 1, 1980, (B) second, to other net transaction accounts; and (C) third, to nonpersonal time deposits or Eurocurrency liabilities starting with those with the highest reserve ratio under section 204.9(a) and then to succeeding lower reserve ratios.

(ii) A depository institution, United States branches and agencies of the same foreign bank, or an Edge or Agreement corporation shall, if possible, assign the reserve requirement exemption of section 204.9(a) to only one office or to a group of offices filing a single aggregated report of deposits. If the reserve requirement exemption 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 exemption may be assigned to other offices of the same institution until the amount of the exemption or reservable liabilities is exhausted. A depository institution, foreign bank, or Edge or Agreement corporation shall determine this assignment subject to the restriction that if a portion of the exemption 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. The exemption may be reallocated at the beginning of a calendar year, or, if necessary to avoid underutilization of the exemption, at the beginning of a calendar month. The amount of the reserve requirement exemption allocated to an office or group of offices may not exceed the amount of the low reserve tranche allocated to such office or offices under this paragraph.

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2. In section 204.9, by revising paragraph (a) to read as follows:

SECTION 204.9--RESERVE REQUIREMENT RATIOS

(a) (1) 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:
* * *

(2) Exemption from reserve requirements. Each depository institution, Edge or Agreement corporation, and U.S. branch or agency of a foreign bank is subject to a zero per cent reserve requirement on an

amount of its transaction accounts subject to the low reserve tranche in paragraph (a)(1), nonpersonal time deposits, or Eurocurrency liabilities or any combination thereof not in excess of $2.1 million determined in accordance with section 204.3(a)(3) of this Part.

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By order of the Board of Governors, December 1, 1982.

(signed) William W. Wiles

William W. Wiles
Secretary of the Board

[SEAL]

FEDERAL RESERVE SYSTEM

[12 CFR Part 204]

Regulation D

[Docket No. R-0440]

RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS

Money Market Deposit Account

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final rule.

SUMMARY: The Board of Governors has amended Regulation D--Reserve Requirements of Depository Institutions (12 CFR Part 204) to establish reserve requirements on the money market deposit account ("MMDA"), which was established by the Depository Institutions Deregulation Committee ("DIDC"), effective December 14, 1982. The Board has determined that the same reserve requirements that apply to savings deposits will apply to an MMDA that does not permit more than six internal or third party transfers or payments per month (no more three of which may be checks under DIDC rules). Such an MMDA in which the entire beneficial interest is held by a natural person or natural persons and which is nontransferable will be regarded as a personal savings deposit, which is not subject to reserve requirements; such an MMDA that is transferable, or in which any beneficial interest is held by other than a natural person will be regarded as a nonpersonal time deposit with a maturity of less than 3-1/2 years and subject to a reserve requirement of three percent. An MMDA that permits the depositor monthly to make more than six automatic or preauthorized transfers or third party payments, including telephone transfers to another account of the depositor at the same institution will be subject to transaction account reserve requirements. This action was taken in order to establish a reserve requirement on the MMDA recently authorized by the DIDC.

EFFECTIVE DATE: December 14, 1982.

FOR FURTHER INFORMATION CONTACT: Gilbert T. Schwartz, Associate General Counsel (202/452-3625), or Paul S. Pilecki, Senior Attorney (202/452-3281), Legal Division, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

SUPPLEMENTARY INFORMATION: The Depository Institutions Deregulation Committee ("DIDC") has established a new deposit account that may be offered by federally-insured commercial banks, savings and loan associations, and mutual savings banks, as required by the Garn-St

Germain Depository Institutions Act of 1982 (Pub. L. 97-320) ("Garn-St Germain Act"). The new money market deposit account ("MMDA") has the following principal characteristics: (1) an initial and average balance requirement of no less than $2,500; (2) no minimum maturity requirement, but institutions are required to reserve the right to require at least seven days' notice prior to withdrawal; (3) no interest rate ceiling on deposits that satisfy the initial and average balance requirements; and (4) no more than six preauthorized, automatic or other third party transfers per month, of which no more than three can be checks, and an unlimited number of telephone transfers from the MMDA to another account of the depositor at the same institution. Institutions may offer the MMDA to depositors beginning December 14, 1982.

The Garn-St Germain Act provides that an account established under that Act that is not a "transaction account" as defined by Regulation D on August 1, 1982, "shall not be subject to transaction account reserves, even though no minimum maturity is required, and even though up to three preauthorized or automatic transfers and three transfers to third parties are permitted monthly" (96 Stat. 1501). Under the DIDC's rules, depository institutions may offer the MMDA with the following transactions features: (1) a maximum of six transfers per month (or statement cycle of at least four weeks) from the MMDA to another account of the depositor or to a third party that are preauthorized or automatic, but no more than three of these transfers may be by check; (2) telephone transfers to a third party or transfers to a third party effectuated through a point-of-sale terminal or an automated teller machine are regarded as "preauthorized transfers" and are subject to the maximum of six transfers per month; and (3) an unlimited number of transfers by telephone from the MMDA to another account of the depositor at the same institution. The DIDC's rules also allow institutions to permit withdrawals not subject to the limit of six per month in person, by messenger, or by mail to the depositor directly in cash, by check, by credit to another account of the depositor, or to a third party by cash, check, or credit. The DIDC has noted that it will reconsider at its December 6, 1982 meeting whether unlimited telephone transfers from the MMDA to another account of the depositor should continue to be permitted and it has advised depository institutions of this possible change.

The Board has amended Regulation D to apply reserve requirements to MMDAs as follows:

1. An MMDA will be subject to reserve requirements as a transaction account if it authorizes more than six transfers per month (or statement cycle of at least four weeks) to another account of the depositor at the same institution, to the institution itself, or to a third party by means of preauthorized, automatic or telephone agreement, order, or instruction; or within these transfers, the depositor is permitted to draw more than three checks or drafts per month. An MMDA that has the capacity for transfers in excess of these limits will be regarded as a transaction account whether or not the depositor actually

exceeds the limits. However, an MMDA will not be regarded as a "transaction account" if an institution follows the DIDC's procedures in 12 CFR § 1204.122(e)(2) for limiting the number of transfers that may be made by an accountholder. (Depository institutions should not offer to open multiple MMDAs for customers in order to enable customers to have the ability to effectuate in aggregate more than six transfers per month from such accounts. Each MMDA subject to such arrangements will be regarded as a transaction account.)

2. An MMDA will be subject to reserve requirements as a nonpersonal time deposit with a maturity of less than 3-1/2 years, which presently have a reserve requirement of three percent under the Monetary Control Act, if:

a. any beneficial interest in the account is held by a depositor that is not a natural person or the account is transferable; and

b. no more than six transfers per month (or statement cycle of at least four weeks) to another account of the depositor at the same depository institution, to the institution itself, or to a third party by means of a preauthorized, automatic or telephone agreement order or instruction, and no more than three of such six transfers may be by checks or drafts drawn by the depositor.

3. An MMDA will be regarded as a personal time deposit not subject to basic reserve requirements under the Monetary Control Act if:

a. the entire beneficial interest in the account is held by a natural person or natural persons;

b the account is nontransferable; and

c. no more than six transfers per month (or statement cycle of at least four weeks) to another account of the depositor at the same depository institution, to the institution itself, or to a third party by means of a preauthorized, automatic or telephone agreement order or instruction, and no more than three of such six transfers may be by checks or drafts drawn by the depositor.

For member banks and institutions maintaining reserves in the same manner as member banks, MMDAs will be regarded as savings deposits for purposes of applying the transitional adjustments of Regulation D. Thus, MMDAs issued by member banks that are personal time deposits will be subject to a small reserve requirement until the completion of the phase-in period required by the Monetary Control Act.

With respect to the reserve requirement treatment of MMDAs that permit telephone transfers beyond six transfers per month, the Board believes that the ability to make such transfers increases the potential for MMDAs to substitute for transaction accounts. The capacity for daily transfers to a depositor's checking account makes the MMDA a much more useful cash management device. The Board believes that regarding such accounts as transaction accounts is fully consistent with the Garn-St Germain Act.

Because commercial banks, mutual savings banks, and savings and loan associations may offer the MMDA as of December 14, 1982, the Board finds that the application of the notice and public participation provisions of 5 U.S.C. § 553 to this action would be contrary to the public interest and that good cause exists for making this action effective December 14, 1982.

List of Subjects in 12 CFR Part 204

Banks, banking; Currency; Federal Reserve System; Penalties; Reporting requirements.

Pursuant to its authority under sections 19, 25 and 25(a) of the Federal Reserve Act (12 U.S.C. § 461, 601 et seq., 611 et seq.), under section 7 of the International Banking Act of 1978 (12 U.S.C. § 3105), and under section 327 of the Garn-St Germain Depository Institutions Act of 1982 (12 U.S.C. § 3503; 96 Stat. 1501) the Board of Governors amends Regulation D, effective December 14, 1982, by revising paragraphs (b)(2), (d), and (e) of section 204.2 to read as follows:

SECTION 204.2 -- DEFINITIONS

* * * * *

(b) * * *

(2) A "demand deposit" does not include

(i) checks or drafts drawn by the depository institution on the Federal Reserve or on another depository institution;

(ii) a deposit or account issued pursuant to 12 CFR § 1204.121, including those with an original maturity or required notice period of seven to 13 days;

(iii) a deposit or account issued pursuant to 12 CFR § 1204.122 under which the depository institution reserves the right to require at least seven days' notice of an intended withdrawal before withdrawal is made, including those with an original maturity or required notice period of one to 13 days; or

(iv) for depository institutions not subject to the rules of the Depository Institutions Deregulation Committee under 12 U.S.C. § 3501 et seq.,

(A) a deposit or account issued with an original maturity or required notice period of seven to 13 days if such deposit or account is nonnegotiable, subject to a minimum balance of $20,000, and not otherwise a transaction account under section 204.2(e) of this Part; or

(B) a deposit or account under which the depository institution reserves the right to require at least seven days' notice of an intended withdrawal before withdrawal is made, including those with an original maturity or required notice period of one to 13 days, and not otherwise a transaction account under section 204.2(e) of this Part.

* * * * *

(d)(1) "Savings deposit" means a deposit or account

(i)(A) 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; and

(B) 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 do not exceed $150,000 per depositor at the depository institution; or

(ii) issued pursuant to 12 CFR § 1204.122 under which the depository institution reserves the right to require at least seven days' notice of an intended withdrawal before withdrawal is made, or for depository institutions not subject to the rules of the Depository Institutions Deregulation Committee under 12 U.S.C. § 3501 et seq., a deposit or account under which the depository institution reserves the right to require at least seven days' notice of an intended withdrawal before withdrawal is made.

(2) A deposit may continue to be classified as a savings deposit even if the depository institution exercises its right to require notice of withdrawal.

(3) A "savings deposit" includes a regular share account at a credit union and a regular account at a savings and loan association.

(4) "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)(1) "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 payments or transfers to third persons or others. "Transaction account" includes:

(i) demand deposits;

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

(iii) 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);

(iv) 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;

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

(vi) except as provided in subparagraph (2), 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," under this subparagraph (e)(1)(vi), 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);

(vii) deposits or accounts maintained in connection with an arrangement that permits the depositor to obtain credit directly or indirectly through the drawing of a negotiable or nonnegotiable check, draft, order or instruction or other similar device (including telephone or electronic order or instruction) on the issuing institution that can be used for the purpose of making payments or transfers to third persons or others, or to a deposit account of the depositor. Deposits that are subject to arrangements established before October 5, 1982, will not be regarded as transaction accounts (A) until the deposit issued in connection with the line of credit is extended, or matures and is renewed, or (B) if the deposit issued in connection with the line of credit matures and is automatically renewed on or before December 31, 1982; and

(viii) a deposit or account issued pursuant to 12 CFR § 1204.122 (or, for a depository institution that is not subject to the rules of the Depository Institutions Deregulation Committee under 12 U.S.C. § 3501 et seq., a deposit or account under which the depository institution reserves the right to require seven days' notice of an intended withdrawal prior to withdrawal) and under the terms of which, or which by practice of the depository institution, the depositor is permitted or authorized to make more than six transfers per calendar month, or statement cycle (or similar period) of at least four weeks to another account of the same depositor at the same institution, to the institution itself or to a third party by means of preauthorized, automatic, or telephone agreement, order, or instruction or, within these transfers, to draw more than three checks or drafts per calendar month or statement cycle (or similar period) of at least four weeks. An account that authorizes transfers in excess of these limits is a transaction account whether or not the depositor actually makes any transfers.

(2) Notwithstanding subparagraphs (1)(ii), (1)(iii), (1)(iv), and (1)(v) of this paragraph, a "transaction account" does not include a deposit or account issued pursuant to 12 CFR § 1204.122 (or, for a depository institution that is not subject to the rules of the Depository Institutions Deregulation Committee under 12 U.S.C. § 3501 et seq., a deposit or account under which the depository institution reserves the right to require seven days' notice of an intended withdrawal prior to withdrawal) under the terms of which the depositor is not permitted or authorized to make more than six transfers per calendar month, or statement cycle (or similar period) of at least four weeks, to another account of the depositor at the same institution, to the institution itself, or to a third party by means of preauthorized, automatic or telephone agreement, order, or instruction and no more than three of such six transfers may be by checks or drafts drawn by the depositor.

* * * * *

By order of the Board of Governors, December 1, 1982.

(signed) William W. Wiles

William W. Wiles
Secretary of the Board

[SEAL]

FEDERAL RESERVE SYSTEM

Regulation Q

[12 CFR Part 217]

[Docket No. R-0438]

INTEREST ON DEPOSITS

Depositors Eligible to Maintain NOW Accounts

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final rules.

SUMMARY: The Board of Governors has amended Regulation Q--Interest on Deposits (12 CFR Part 217) to provide that all governmental units are eligible to maintain NOW accounts at member banks. This action conforms Regulation Q with provisions of the Garn-St Germain Depository Institutions Act of 1982 (P. L. 97-320, 96 Stat. 1469).

EFFECTIVE DATE: October 15, 1982.

FOR FURTHER INFORMATION CONTACT: Gilbert T. Schwartz, Associate General Counsel (202/452-3625), Paul S. Pilecki, Senior Attorney (202/452-3281), or Beverly A. Belcamino, Legal Assistant (202/452-3623), Legal Division, Board of Governors of the Federal Reserve System, Washington, D. C. 20551.

SUPPLEMENTARY INFORMATION: The Consumer Checking Account Equity Act of 1980 (Title III of Pub. L. 96-221) ("Act") authorized depository institutions nationwide, effective December 31, 1980, to permit the owner of a deposit or account on which interest or dividends are paid to make withdrawals by negotiable or transferable instruments for the purpose of making transfers to third parties ("NOW accounts") (12 U.S.C. § 1832(a)(1)). Under this statute, NOW accounts were available only to individuals and certain organizations operated primarily for religious, charitable, philanthropic, educational and other similar purposes and not for profit. On September 16, 1981, the Board adopted an interpretation to clarify the rules concerning the class of depositors eligible to maintain NOW accounts (12 CFR § 217.157). This interpretation provides that governmental units generally are not permitted to maintain NOW accounts.

Section 706 of the Garn-St Germain Depository Institutions Act of 1982 (P. L. 97-320, 96 Stat. 1469) ("Garn-St Germain Act"), which was enacted on October 15, 1982, provides that "deposits of public funds by an officer, employee, or agent of the United States, any State, county, municipality, or political subdivision thereof, the District of Columbia, the Commonwealth of Puerto Rico, American Samoa, Guam, any territory or possession of the United States, or any political subdivision thereof"

may be maintained in NOW accounts at member banks. Consequently, the Board is amending its September 16, 1981 interpretation and section 217.1(e)(3) of Regulation Q (12 CFR § 217.1(e)(3)) to implement section 706 of the Garn-St Germain Act.

Because this action implements the explicit terms of a statute, which was effective on October 15, 1982, the Board believes that good cause exists for not following the notice and public participation provisions of 5 U.S.C. § 553(b) and for making this action effective with the date of enactment of the Garn-St Germain Act.

List of Subjects in 12 CFR Part 217

Advertising; Banks, banking; Federal Reserve System; Foreign banking.

Effective October 15, 1982, pursuant to its authority under section 19(a) of the Federal Reserve Act (12 U.S.C. § 461(a)), the Board amends Regulation Q (12 CFR Part 217) as follows:

1. By revising paragraph (e) of section 217.1 to read as follows:

SECTION 217.1--DEFINITIONS

* * * * *

(e) Savings deposits. * * *

(3)(i) Deposits subject to negotiable orders of withdrawal may be maintained if such deposits consist of funds in which the entire beneficial interest is held by (A) one or more individuals; (B) a corporation, association, or other organization operated primarily for religious, philanthropic, charitable, educational, fraternal, or other similar purposes and not operated for profit; or (C) the United States, any State of the United States, county, municipality, or political subdivision thereof, the District of Columbia, the Commonwealth of Puerto Rico, American Samoa, Guam, any territory or possession of the United States, or any political subdivision thereof.

(ii) Deposits in which any beneficial interest is held by a corporation, partnership, association or other organization that is operated for profit or is not operated primarily for religious, philanthropic, charitable, educational, fraternal, or other similar purposes, or that is not a governmental unit described in subparagraph (i)(C) may not be classified as deposits subject to negotiable orders of withdrawal.

* * * * *

2. By revising section 217.157 to read as follows:

§ 217.157--Eligibility for NOW Accounts

(a) Background. (1) Effective December 31, 1980, the Consumer Checking Account Equity Act of 1980 (Title III of the Depository Institutions Deregulation and Monetary Control Act of 1980; P.L. 96-221; 94 Stat. 146) ("Act") authorizes depository institutions nationwide to offer interest-bearing checking (NOW) accounts to depositors where the "entire beneficial interest is held by one or more individuals or by an organization which is operated primarily for religious, philanthropic, charitable, educational, or other similar purposes and which is not operated for profit." (12 U.S.C. 1832(a)(2)). The purpose of the Act is to extend the availability of NOW accounts throughout the nation. Previously, as an experiment, NOW accounts were authorized to be offered by depository institutions only in New England, New York, and New Jersey.

(2) (i) The NOW account experiment established by Congress in 1973 did not specify the types of customers that could maintain NOW accounts. As a result, the rules of the Federal Reserve and Federal Deposit Insurance Corporation specified the types of depositors eligible to maintain NOW accounts at member and insured nonmember banks. In enacting the NOW account provision in 1980, Congress adopted virtually the same language concerning NOW account eligibility that previously had been adopted by the Board and the Federal Deposit Insurance Corporation with regard to the types of customers permitted to maintain NOW accounts in institutions located in the NOW account experiment region. (12 CFR 217.1(e)(3) and 12 CFR 329.1(e)(2)). This definition was based upon longstanding regulatory provisions concerning eligibility criteria for savings deposits.

(ii) Effective October 15, 1982, section 706 of the Garn-St Germain Depository Institutions Act of 1982 (P. L. 97-320; 96 Stat. 1540) specifically extended NOW account eligibility to funds deposited by governmental units.

(3) * * *

* * * * *

(d) Governmental Units. Governmental units are generally eligible to maintain NOW accounts at member banks. NOW accounts may consist of funds in which the entire beneficial interest is held by the United States, any State of the United States, county, municipality, or political subdivision thereof, the District of Columbia, the Commonwealth of Puerto Rico, American Samoa, Guam, any territory or possession of the United States, or any political subdivision thereof.

By order of the Board of Governors, November 29, 1982.

(signed) William W. Wiles

William W. Wiles
Secretary of the Board

[SEAL]

FEDERAL RESERVE SYSTEM

Regulation D

[12 CFR PART 204]

[Docket No. R-0439]

RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS

Reserve Requirement Ratios

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final rule.

SUMMARY: The Board is amending Regulation D--Reserve Requirements of Depository Institutions (12 CFR Part 204)--to adjust the dollar amount of transaction accounts subject to a reserve requirement ratio of 3 per cent for depository institutions, Edge and Agreement Corporations and United States branches and agencies of foreign banks, as required by the Monetary Control Act of 1980 (Title I of Pub. L. 96-221). Under the amendment, the first $26.3 million of an institution's net transaction accounts will be subject to a 3 per cent reserve ratio, and amounts in excess of $26.3 million will be subject to a 12 per cent reserve ratio. Presently, only the first $26 million of a depository institution's net transaction accounts are subject to a 3 per cent reserve ratio.

EFFECTIVE DATE: December 30, 1982. The first reserve maintenance period to which the amendment applies commences January 13, 1982.

FOR FURTHER INFORMATION CONTACT: Gilbert T. Schwartz, Associate General Counsel (202/452-3625), Paul S. Pilecki, Senior Attorney (202/452-3281) or Beverly A. Belcamino, Legal Assistant (202/452-3623), Legal Division, Board of Governors of the Federal Reserve System, Washington, D. C. 20551.

SUPPLEMENTARY INFORMATION: The Monetary Control Act of 1980 (Title I of Pub. L. 96-221) ("MCA") requires each depository institution to maintain with the Federal Reserve System reserves against its transaction accounts and nonpersonal time deposits, as prescribed by Board regulations. The initial reserve requirements imposed under the MCA were set at 3 per cent for each depository institution's transaction accounts of $25 million or less and at 12 per cent on transaction accounts above $25 million, which the Board is authorized to vary between 8 and 14 per cent. The MCA further provides that the Board shall issue a regulation before December 31 of each year, beginning in 1981, adjusting for the next calendar year the total dollar amount of the transaction account tranche against which reserves must be maintained at a ratio of 3 per cent. The increase in

the tranche is to be 80 per cent of the percentage increase in total transaction accounts for all depository institutions determined as of June 30 of each year.

At present, the amount of the low reserve tranche is $26 million. The growth in the total net transaction accounts of all depository institutions from June 30, 1981, to June 30, 1982, was 1.63 per cent. In accordance with these provisions of the MCA, the Board is amending Regulation D to increase the amount of the low reserve tranche for transaction accounts for 1983 to $26.3 million.

The provisions of 5 U.S.C. § 553(b) relating to notice and public participation have not been followed in connection with the adoption of this amendment because the amendment involves an adjustment prescribed by statute. Thus, the Board believes that notice and public participation is unnecessary and contrary to the public interest.

List of Subjects in 12 CFR Part 204

Banks, banking; Currency; Federal Reserve System; Penalties; Reporting requirements.

Effective December 30, 1982, pursuant to the Board's authority under section 19 of the Federal Reserve Act, 12 U.S.C.§ 461 et seq., section 204.9 of Regulation D (12 CFR Part 204) is amended by revising paragraph (a)(1) to read as follows:

SECTION 204.9 -- RESERVE REQUIREMENT RATIOS

(a)(1) 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 Requirement
Net Transaction Accounts	
$0 - $26.3 million	3% of amount
Over $26.3 million	$789,000 plus 12% of amount over $26.3 million
Nonpersonal Time Deposits	
By original maturity (or notice period):	
less than 3-1/2 years	3%
3-1/2 years or more	0%

Eurocurrency Liabilities	3%

* * * * *

By order of the Board of Governors, December 1, 1982.

(signed) William W. Wiles

William W. Wiles
Secretary of the Board

[SEAL]

FEDERAL RESERVE press release

For immediate release December 23, 1982

The Federal Reserve Board today adopted in final form an amendment to Regulation D -- Reserve Requirements of Depository Institutions -- defining as transaction accounts time deposits issued in connection with an agreement permitting the depositor to obtain credit by check or similar devices for the purpose of making payments or transfers to third parties.

The final rule is substantially the same as the rule issued in temporary form effective October 5, 1982 and amended in November to exempt such time deposits issued before October 5, 1982 that will be renewed automatically on or before December 31, 1982. In issuing the final rule the Board clarified that it does not regard as transaction accounts time deposits pledged to secure incidental overdrafts in a checking account.

The Board's notice is attached.

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Attachment

FEDERAL RESERVE SYSTEM

Regulation D

[12 CFR Part 204]

[Docket No. R-0424]

RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS

Transaction Accounts

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final rule.

SUMMARY: The Board of Governors adopted in final form an amendment to Regulation D--Reserve Requirements of Depository Institutions (12 CFR Part 204) to define as transaction accounts time deposits issued in connection with an agreement that permits the depositor to obtain credit by check or similar devices for the purpose of making payments or transfers to third persons or others. This rule was issued in temporary form, effective October 5, 1982, and was amended on November 16, 1982, to exempt from the definition of transaction accounts such time deposits issued before October 5, 1982, that will be renewed automatically on or before December 31, 1982. The final rule is substantially identical to the temporary rule, as amended; however, the Board has clarified that the rule does not regard as transaction accounts time deposits that are pledged to secure incidental overdrafts in a checking account. This action was taken to maintain the distinction between time deposits and accounts that can be used for making payments to third parties.

EFFECTIVE DATE: January 22, 1983.

FOR FURTHER INFORMATION CONTACT: Gilbert T. Schwartz, Associate General Counsel (202/452-3625), or Paul S. Pilecki, Senior Attorney (202/452-3281), Legal Division, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

SUPPLEMENTARY INFORMATION: Effective October 5, 1982, the Board amended Regulation D--Reserve Requirements of Depository Institutions (12 CFR Part 204) to define as transaction accounts, time deposits issued in connection with an arrangement that permits the depositor to obtain credit, directly or indirectly, through the drawing of a check, draft or similar device that can be used for the purpose of making payments or transfers to third persons or others (47 Federal Register 44992). Under the rule, time deposits subject to such arrangements established prior to October 5, 1982, are not regarded as transaction accounts until the

deposit is extended, or matures and renews. On November 16, 1982, the Board expanded the grandfather provisions by exempting such time deposits that will be renewed automatically by December 31, 1982 (47 Federal Register 52692). The Board requested public comment on the temporary rule until December 3, 1982, as to whether any additional arrangements should be covered by this amendment, and whether any arrangements should be eliminated from the scope of the amendment.

Comments on the temporary rule were received from 15 depository institutions. The comments were generally negative, urging rescission of the rule or narrowing of its scope. Those arguing in favor of rescission stated that the rule added to the reserve requirement burden of depository institutions and placed them at a disadvantage vis-a-vis competitors that are not required to maintain reserve requirements. Respondents who viewed the rule as too broad commented that the rule should (1) allow up to three checks per month, (2) exempt credit lines that are granted prior to opening of a time deposit, or (3) apply to a time deposit only up to the amount of the credit line. Comments favoring the rule indicated that it was necessary because the covered arrangements are inconsistent with the orderly phaseout of interest rate ceilings.

The Board believes that the rule serves a valid purpose in that arrangements involving time deposits and related credit lines are effective substitutes for transaction accounts and provide the opportunity for avoidance of transaction account reserve requirements. As such, balances in these accounts should be distinguished from ordinary time deposits. The Board notes that the recent actions of the Depository Institutions Deregulation Committee authorizing Money Market Deposit Accounts (12 CFR § 1204.122) and establishing new rules for the payment of interest on NOW accounts of $2,500 or more further lessen the attractiveness of such credit line arrangements. Hence, continuing to apply transaction account reserve requirements to such arrangements is not likely to be significantly burdensome to depository institutions. Accordingly, the Board has adopted the temporary rule, as amended, in final form.

In adopting the temporary rule, the Board noted that the rule did not affect the ability of a depositor to use a time deposit as collateral for a loan transaction that does not involve the use of a credit line on which checks or similar instruments may be drawn. The Board also notes that the rule does not regard as transaction accounts time deposits that are pledged as collateral as part of an arrangement to protect against incidental overdrafts. In this regard, the Board believes that time deposits that are pledged to cover overdrafts in a checking account that is normally operated with a balance in the account should not be covered as transaction accounts. This exception does not apply to time deposits that are pledged to cover overdrafts in accounts that have zero or fixed balances or that have balances such that an overdraft occurs on a regular basis when a check is written against the account.

The impact of this proposal on small entities has been considered in accordance with section 604 of the Regulatory Flexibility Act (Pub. L. 96-354; 5 U.S.C. § 604). Section 411 of the Garn-St Germain Depository Institutions Act of 1982 (Pub. L. 97-320; 96 Stat. 1520) provides for an exemption from reserve requirements for the first $2.1 million in reservable liabilities at all depository institutions. The Board believes that its action will not add any reserve requirement burden to small depository institutions that have zero reserve requirements as a result of section 411 of the Garn-St Germain Act. In addition, no new recordkeeping or reporting requirements will be imposed as a result of this action.

List of Subjects in 12 CFR Part 204

Banks, banking; Currency; Federal Reserve System; Penalties; Reporting requirements.

Pursuant to its authority under section 19(b) of the Federal Reserve Act (12 U.S.C. § 461(b)), effective January 22, 1983, the Board amends Regulation D (12 CFR Part 204) by adopting in permanent form an amendment to paragraph (e)(1)(vii) of section 204.2, as it appears at 47 Federal Register 55209 (December 8, 1982).

By order of the Board of Governors, December 22, 1982.

(signed) James McAfee

James McAfee
Associate Secretary of the Board

[SEAL]

FEDERAL RESERVE press release

For immediate release December 2, 1982

The Federal Reserve Board has amended its Regulation D -- Reserve Requirements of Depository Institutions -- to coordinate the end of the phase-in of reserve requirements for member banks under the Monetary Control Act with the start of contemporaneous reserve accounting.

Contemporaneous reserve requirements will go into effect beginning February 2, 1984. Member banks, and certain other institutions that are required to maintain reserves in the same way as member banks, are phasing down to the generally lower reserve requirements of the Montary Control Act on a schedule previously ending March 1, 1984.

To coordinate with the start of CRR, the Board has moved the end of this phase-in schedule to February 2, 1984.

Details of the Board's action are given in the attached official notice.

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Attachment

FEDERAL RESERVE SYSTEM

Regulation D

[12 CFR Part 204]

[Docket No. R-0442]

RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS

Contemporaneous Reserve Requirements
Member Bank Phase-in

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final rule.

SUMMARY: The Board of Governors has amended Regulation D--Reserve Requirements of Depository Institutions (12 CFR Part 204) to revise the date for the end of the phase-in of reserve requirements for member banks to coincide with the beginning of contemporaneous reserve requirements (CRR)--February 2, 1984. The Board previously announced a change to CRR to enhance the conduct of monetary policy by strengthening the linkage between the supply of reserves and the money supply (47 Fed. Reg. 44705). The Board believes that changing the end of the reserve requirement phase-in schedule for member banks will assist such banks in implementing CRR.

EFFECTIVE DATE: December 31, 1982.

FOR FURTHER INFORMATION CONTACT: Gilbert T. Schwartz, Associate General Counsel (202/452-3625), or Paul S. Pilecki, Senior Attorney (202/452-3281), Legal Division, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

SUPPLEMENTARY INFORMATION: Effective February 2, 1984, the Board of Governors amended Regulation D--Reserve Requirements of Depository Institutions (12 CFR Part 204) to introduce contemporaneous reserve requirements (CRR) on transaction accounts for medium-size and larger depository institutions instead of the lagged procedure now in effect. Under the Board's action, depository institutions that have total deposits of $15 million or more, Edge and Agreement corporations, and U.S. branches and agencies of foreign banks will be required to maintain required reserves on transaction accounts on a daily average basis for a 14-day maintenance period ending on the first Wednesday after the 14-computation period, which ends on a Monday. Thus, the end of the reserve maintenance period for transaction accounts will be lagged by only two days from the end of the reserve computation period for

transaction accounts. The 14-day reserve maintenance period for other reservable liabilities will begin 17 days after the end of the corresponding 14-day reserve computation period.

Under the Monetary Control Act of 1980 (Title I of Pub. L. 96-221) ("MCA"), member banks and certain other institutions that are required to maintain reserves in the same manner as member banks are currently subject to a phase-in of reserve requirements. In this regard, the MCA provides that member banks shall move from the reserve requirements in effect prior to the MCA to the generally lower reserve requirements of the MCA over a period of not more than four years. This phase-in currently is scheduled to end on March 1, 1984. However, in view of the adoption of CRR, the Board believes that changing the end of the phase-in date to coincide with the start of CRR will assist member banks as they adjust their operations to the new reserve maintenance procedures. Accordingly, the Board is amending Regulation D so that member banks will end their phase-in of reserve requirements on February 2, 1984.

In accordance with 5 U.S.C. § 553(b) (46 Fed. Reg. 58185), the Board has previously requested public comment on the subject of CRR, including the specific issues of the appropriate implementation date and the operational considerations of CRR for depository institutions. In addition, public comment concerning the phase-in schedule was received by the Board in 1980 in connection with the implementation of the MCA (45 Fed. Reg. 38388). The comments received at that time indicated that member banks desired an earlier end to the reserve requirement phase-in. Accordingly, the Board believes that further public participation with respect to this action is unnecessary and contrary to the public interest.

List of Subjects in 12 CFR Part 204

Banks, banking; Currency; Federal Reserve System; Penalties; Reporting requirements.

Pursuant to its authority under sections 19, 25 and 25(a) of the Federal Reserve Act (12 U.S.C. §§ 461, 601 et seq., 611 et seq.) and under section 7 of the International Banking Act of 1978 (12 U.S.C. § 3105), effective December 31, 1982, the Board amends Regulation D (12 CFR Part 204) by revising paragraph (b)(2)(ii) of section 204.4 to read as follows:

SECTION 204.4--TRANSITIONAL ADJUSTMENTS

* * * * *

(b) Members and former members. * * *

(2) * * *

(i) * * *

(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 (§ 204.9(b)), exceed the amount of required reserves computed under section 204.3, times the appropriate percentage specified below in accordance with the following schedule:

Reserve maintenance periods occurring between	Percentage applied to difference to compute amount to be added
November 13, 1980 and September 2, 1981	75
September 3, 1981 and March 3, 1982	62.5
March 4, 1982 and September 1, 1982	50
September 2, 1982 and March 2, 1983	37.5
March 3, 1983 and August 31, 1983	25
September 1, 1983 and February 1, 1984	12.5
February 2, 1984 and forward	0

* * * * *

By order of the Board of Governors, December 1, 1982.

(signed) William W. Wiles

William W. Wiles
Secretary of the Board

[SEAL]