



FEDERAL RESERVE BANK OF DALLAS

Station K, Dallas, Texas 75222

Circular No. 84-14
January 25, 1984

TO: The depository institution addressed in the Eleventh Federal Reserve District

ATTENTION: Reserve Account Manager

SUBJECT: Contemporaneous reserve requirements (CRR)

SUMMARY: This is a final reminder that the Federal Reserve System will implement contemporaneous reserve requirements (CRR) on February 2, 1984. CRR will apply only to depository institutions that submit the Report of Transaction Accounts, Other Deposits and Vault Cash (FR 2900) weekly. Institutions that submit the FR 2900 quarterly will continue to be subject to the current system of lagged reserve requirements, although the reporting week for quarterly reporters will be moved back two days to coincide with the new Tuesday-through-Monday reporting week for weekly respondents under CRR.

ATTACHMENTS: Principal features of CRR, including the new reporting procedures for both weekly and quarterly respondents

MORE INFORMATION: Robert Feil, (214) 651-6690 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: Public Affairs Department, Extension 6289

Principal Features of CRR

Under the current system of Lagged Reserve Requirements (LRR), depository institutions must maintain in any given week ending on Wednesday required reserves based on their deposit levels two weeks earlier. Under CRR, weekly reporters will begin posting reserves on transaction accounts with a two-day lag rather than the current two-week delay. Reserve requirements on nontransaction accounts will be met on a lagged basis that differs from the current lagged schedule.

The principal features of CRR are as follows:

1. Reserves will be maintained on a daily average basis over a 14-day maintenance period ending every other Wednesday.
2. Reserves to be maintained will be computed on the basis of 14-day computation periods that end every other Monday. For any one maintenance period, required reserves on transaction accounts will be held contemporaneously -- that is, they will be computed on average transaction accounts as of the 14-day computation period ending on the Monday two days prior to the end of the maintenance period. On the other hand, required reserves on nontransaction accounts (such as certain time deposits and Eurocurrency liabilities) will be based on average deposits for the 14-day computation period ending on the Monday 17 days before the beginning of the maintenance period.
3. Vault cash eligible to be counted as reserves will be based on average vault cash during the 14-day computation period ending on the Monday 17 days before the beginning of the maintenance period.
4. To assist depository institutions in implementing CRR, a temporary increase has been established in the amount of reserve balance deficiencies or surpluses that may be carried over to the next maintenance period. During the first six months following the start of CRR, reserve surpluses or deficiencies that may be carried over into the next reserve period will equal the greater of 3 percent of the daily average level of required reserves (including required clearing balances) or \$25,000.

During the next six months, the permissible carryover will equal the greater of 2 1/2 percent of daily average required reserves (including required clearing balances) or \$25,000. Thereafter, the carryover will be the greater of 2 percent of daily average required reserves (including required clearing balances) or \$25,000.

5. The Report of Transaction Accounts, Other Deposits and Vault Cash (FR 2900) and the Report of Certain Eurocurrency Liabilities (FR 2950/2951) will continue to be submitted weekly. However, the reporting week will change from a Thursday-through-Wednesday to a Tuesday-through-Monday basis. The deadline for submission of these reports to the Federal Reserve Bank also will change.

The first maintenance period under CRR will begin on Thursday, February 2, 1984, and end on Wednesday, February 15. Required reserves to be held during this maintenance period will be computed on the basis of average transaction accounts as of the 14-day computation period ending Monday, February 13, 1984 and on the basis of average nontransaction accounts as of the 14-day computation period ending on Monday, January 16, 1984. Vault cash eligible to be counted as reserves will be based on average vault cash as of the 14-day computation period ending on Monday, January 16, 1984.

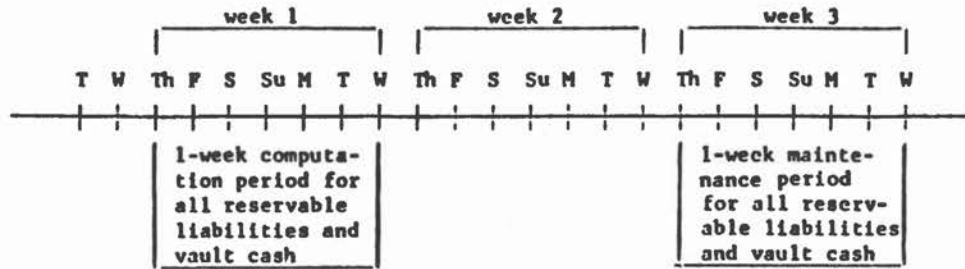
The first FR 2900 and FR 2950/2951 covering the Tuesday-through-Monday week will be as of the week ending Monday, February 6, 1984.

CRR will not apply to depository institutions that submit the FR 2900 quarterly. Rather, these institutions will continue to have a seven-day reserve maintenance period ending on Wednesday, whether they maintain their required reserves directly with a Reserve Bank or via a pass-through correspondent. Their computation period also will continue to be seven days in length. However, the computation period will be shifted back two days from Wednesday to Monday, in alignment with the computation period of institutions subject to CRR. This change for quarterly reporters is effective in March 1984. Thus, at that time, the reporting weeks for quarterly respondents will cover a Tuesday-through-Monday period beginning on the third Tuesday each March, June, September and December.

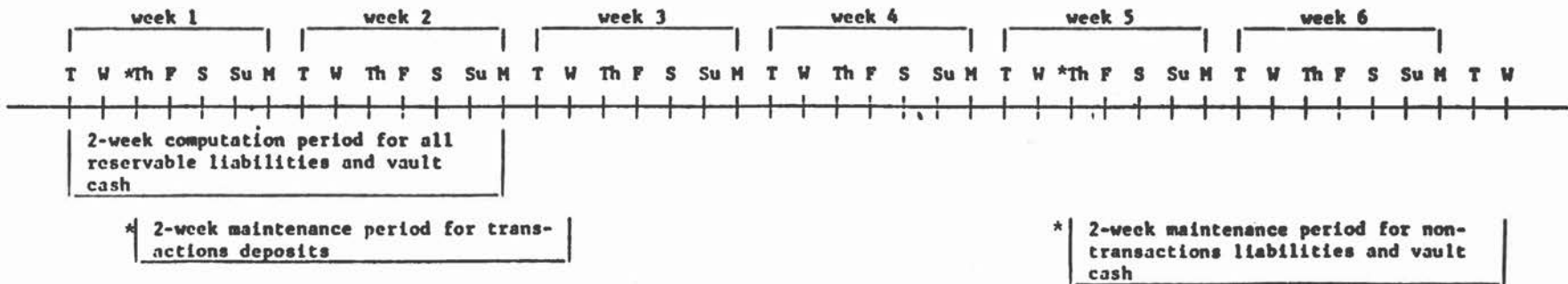
The attached chart illustrates reserve maintenance under CRR, compared with the present reserve accounting system.

LRR AND CRR RESERVE ACCOUNTING SYSTEMS

Present Reserve Accounting System



CRR Accounting System



*February 2, 1984