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**FEDERAL RESERVE BANK OF DALLAS**

Station K, Dallas, Texas 75222

Circular No. 84-119  
December 7, 1984

**TO:** All depository institutions in the Eleventh Federal Reserve District

**ATTENTION:** Operation Officer/Reserve Account Manager

**SUBJECT:** **Amendments to Regulation D -- Low Reserve Tranche and Reserve Requirement Exemption**

**SUMMARY:** The Board of Governors of the Federal Reserve System has announced amendments to Regulation D increasing from \$28.9 million to \$29.8 million the amount of net transaction accounts subject to the lowest reserve requirement in 1985. The Board also increased from \$2.2 million to \$2.4 million the amount of reservable liabilities subject to a zero percent reserve requirement. These changes will be effective with the reserve computation period beginning on January 1, 1985, for weekly reporting institutions and with the corresponding reserve maintenance periods beginning January 3, 1985, for net transaction accounts. For other reservable liabilities, the effective date will be January 31, 1985. For quarterly reporting institutions, the tranche adjustment and the exemption will be effective with the computation period beginning on December 18, 1984, and with the reserve maintenance period beginning January 17, 1985.

**ATTACHMENTS:** Board's press release and related Federal Register material

**MORE INFORMATION:** Robert Feil, Extension 6690; or Evelyn Thomas, Extension 6132

**ADDITIONAL COPIES:** Public Affairs Department, Extension 6289

# FEDERAL RESERVE press release



For immediate release

November 1, 1984

The Federal Reserve Board today announced an increase in the amount of net transaction accounts to which the lowest -- 3 percent -- reserve requirement will apply in 1985 from \$28.9 million to \$29.8 million. The Board also increased the amount of reservable liabilities in depository institutions that are subject to a zero percentage reserve requirement from \$2.2 million to \$2.4 million.

The Board made the changes in accordance with provisions of the Monetary Control Act of 1980 and the Garn-St Germain Depository Institutions Act of 1982.

The Monetary Control Act requires the Board to amend its Regulation D (Reserve Requirements of Depository Institutions) annually to increase the amount of transaction accounts subject to a 3 percent reserve requirement in the next calendar year to 80 percent of the annual percentage increase in transaction accounts held by all depository institutions. The growth in total net transaction accounts of all depository institutions from June 30, 1983 to June 30, 1984 was 3.8 percent. The statutory rule thus requires an increase of \$900 million, or to \$29.8 million.

The Garn-St Germain Act requires the Board to amend Regulation D to adjust the amount exempt from reserve requirements for the upcoming year by 80 percent of the annual percentage increase in total reservable liabilities. Growth in total reservable liabilities was 9.1 percent from June 30, 1983 to June 30, 1984, requiring an increase in the reserve requirement exemption to \$2.4 million.

The adjustments take effect beginning January 1, 1985.

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Attachment

FEDERAL RESERVE SYSTEM

Regulation D

[12 C.F.R. Part 204]

[Docket No. R-0530]

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 12 CFR Part 204 (Regulation D--Reserve Requirements of Depository Institutions) (1) to increase the amount of transaction accounts subject to a reserve requirement ratio of three percent, as required by the Monetary Control Act of 1980 (Title I of Pub. L. 96-221; 12 U.S.C. § 461(b)(2)(C)) from \$28.9 million to \$29.8 million and (2) to increase the amount of reservable liabilities of each depository institution that is subject to a reserve requirement of zero percent, as required by the Garn-St Germain Depository Institutions Act of 1982 (Pub. L. 97-320; 12 U.S.C. § 461(b)(11)(B)) from \$2.2 million to \$2.4 million.

EFFECTIVE DATE: January 1, 1985.

FOR FURTHER INFORMATION CONTACT: Gilbert T. Schwartz, Associate General Counsel (202/452-3625) or John Harry Jorgenson, Senior Attorney (202/452-3778), Legal Division, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

SUPPLEMENTARY INFORMATION: The Monetary Control Act of 1980 ("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 three percent for each depository institution's transaction accounts of \$25 million or less and at 12 percent on transaction accounts above \$25 million. The MCA further provides that the Board shall issue a regulation before December 31 of each year, 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 three percent. The increase in the tranche is to be 80 percent 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 on transaction accounts is \$28.9 million. The growth in the total net transaction accounts of all depository institutions from June 30, 1983, to June 30, 1984, was 3.8 percent (from \$378.3 billion to \$392.7 billion). In accordance with this provision of the MCA, the Board is amending Regulation D to increase the amount of the low reserve tranche for transaction accounts for 1985 by \$0.9 million to \$29.8 million.

Section 411 of the Garn-St Germain Depository Institutions Act of 1982 ("Garn-St Germain Act"), provides that

\$2 million of reservable liabilities<sup>1/</sup> of each depository institution shall be subject to a zero percent reserve requirement. 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 \$29.8 million, effective January 1, 1985) to apply a zero percent reserve requirement on the first \$2 million of transaction accounts and a three 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 1-1/2 years or Eurocurrency liabilities, both of which are subject to a reserve requirement ratio of three percent.

The Garn-St Germain Act also provides that the Board shall issue a regulation before December 31 of each year, adjusting for the next calendar year the dollar amount of

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<sup>1/</sup> The Garn-St Germain 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.

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 percentage increase in the exemption 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, 1983, to June 30, 1984, was 9.1 percent (from \$777.7 billion to \$848.0 billion). 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 for 1985 by \$0.2 million to \$2.4 million.

The tranche adjustment and the reservable liabilities exemption adjustment for weekly reporting institutions will be effective starting with the reserve computation period beginning on January 1, 1985, and with the corresponding reserve maintenance periods beginning January 3, 1985, for net transaction accounts, and on January 31, 1985, for other reservable liabilities. For institutions that report quarterly, the tranche adjustment and the exemption will be effective with the computation period beginning on December 18, 1984, and with the reserve maintenance period beginning January 17, 1985. In addition, all entities currently submitting Form FR 2900 will continue to submit reports to the Federal Reserve under current reporting procedures.

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 these amendments because the amendments involve adjustments prescribed by statute. Accordingly, 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 and Reporting requirements.

Effective January 1, 1985, pursuant to the Board's authority under section 19 of the Federal Reserve Act, 12 U.S.C. § 461 et seq., 12 CFR Part 204 is amended by revising paragraph (a) of section 204.9 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:

<u>Category</u>	<u>Reserve requirement</u>
<u>Net transaction accounts</u>	
\$0 to \$29.8 million	3 percent of amount
over \$29.8 million	\$894,000 plus 12% of amount over \$29.8 million

Nonpersonal time deposits

By original maturity  
(or notice period):

Less than 1-1/2 years 3%

1-1/2 years or more 0%

Eurocurrency liabilities 3%

(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 percent 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 \$2.4 million determined in accordance with section 204.3(a)(3) of this Part.

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By order of the Board of Governors, November 1, 1984.

(signed) William W. Wiles

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William W. Wiles  
Secretary of the Board