FEDERAL RESERVE BANK
OF DALLAS

WILLIAM H. WALLACE
FIRST VICE PRESIDENT
AND CHIEF OPERATING OFFICER

DALLAS, TEXAS 75222

December 14, 1990

Circular 90-96

TO: All depository institutions in the
Eleventh Federal Reserve District

SUBJECT

**Amendment to Regulation D
(Reserve Requirements of Depository Institutions)**

DETAILS

The Board of Governors of the Federal Reserve System has amended Regulation D to increase the amount of net transaction accounts to which a 3-percent reserve requirement will apply in 1991 from $40.4 million to $41.1 million. (This adjustment is the low reserve tranche adjustment.) The amount of reservable liabilities subject to a zero-percent reserve requirement was not changed and will remain at $3.4 million for each depository institution.

The Board also approved increasing the deposit cutoff level that distinguishes weekly reporters from quarterly reporters from $43.4 million to $44.0 million.

The low reserve tranche adjustment will be effective for weekly reporting institutions starting with the reserve computation period beginning Tuesday, December 25, 1990, and with the corresponding reserve maintenance periods beginning Thursday, December 27, 1990, for net transaction accounts and Thursday, January 24, 1991, for other reservable liabilities. For institutions that report quarterly, the low reserve tranche adjustment will be effective with the computation period beginning Tuesday, December 18, 1990, and with the reserve maintenance period beginning Thursday, January 17, 1991.

ATTACHMENTS

A copy of the Board's press release and a copy of Federal Reserve System Docket No. R-0714 are attached.

MORE INFORMATION

For more information, please contact the Bank's Reserve Maintenance Division at (214) 651-6407. For additional copies of this circular, please contact the Public Affairs Department at (214) 651-6289.

Sincerely yours,

William H. Wallace

FEDERAL RESERVE press release

For immediate release

November 28, 1990

The Federal Reserve Board today announced an increase from $40.4 million to $41.1 million in the net transaction accounts to which a 3 percent reserve requirement will apply in 1991.

The Board left unchanged the amount of reservable liabilities that are exempt from reserves at $3.4 million of total reservable liabilities.

Additionally, the Board increased from $43.4 million to $44.0 million the deposit cutoff level, which along with the reserve requirement exemption amount, determines the reporting frequency and detail. Institutions with total deposits below the exemption level of $3.4 million are excused from reporting if their deposits can be estimated from other sources.

For the effective dates, see the Board's notice which is attached.

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Attachment

FEDERAL RESERVE SYSTEM

12 CFR Part 204

[Regulation D; Docket No. R-0714]

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) to increase the amount of transaction accounts subject to a reserve requirement ratio of three percent, as required by section 19(b)(2)(C) of the Federal Reserve Act (12 U.S.C. 461(b)(2)(C)), from $40.4 million to $41.1 million of net transaction accounts. This adjustment is known as the low reserve tranche adjustment. The Board has left at $3.4 million the amount of reservable liabilities of each depository institution that is subject to a reserve requirement of zero percent. This action is required by section 19(b)(11)(B) of the Federal Reserve Act (12 U.S.C. 461(b)(11)(B)), and the adjustment is known as the reservable liabilities exemption adjustment. The Board has also increased from $43.4 million to $44.0 million the deposit cutoff level that is used in conjunction with the reservable liabilities exemption amount to determine the frequency of deposit reporting.

DATES: Effective Date: December 18, 1990. Compliance Dates: For depository institutions that report weekly, the low reserve tranche adjustment will be effective starting with the reserve computation period beginning Tuesday, December 25, 1990, and with the corresponding reserve maintenance periods beginning Thursday, December 27, 1990, for net transaction accounts, and Thursday, January 24, 1991, for other reservable liabilities. For institutions that report quarterly, the low reserve tranche adjustment will be effective with the computation period beginning Tuesday, December 18, 1990, and with the reserve maintenance period beginning Thursday, January 17, 1991. For all depository institutions, the increase in the deposit cutoff level will be used to screen institutions in the second quarter of 1991 to determine reporting frequency beginning September 1991.

FOR FURTHER INFORMATION CONTACT: Patrick J. McDivitt, Attorney (202/452-3818), Legal Division, or June O'Brien, Economist (202/452-3790), Division of Monetary Affairs; for users of the Telecommunications Device for the Deaf (TDD), Dorothea Thompson (202/452-3544); Board of Governors of the Federal Reserve System, Washington, DC 20551.

SUPPLEMENTARY INFORMATION: Section 19(b)(2) of the Federal Reserve Act 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 section 19(b)(2) were set at three percent for total transaction accounts of $25 million or less and at 12 percent on total transaction accounts above $25 million for each depository institution. Section 19(b)(2) also provides that, before December 31 of each year, the Board shall issue a regulation 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 adjustment in the tranche is to be 80 percent of the percentage change in total transaction accounts for all depository institutions determined as of June 30 of each year, and the statute requires an adjustment resulting from decreases as well as increases in total transaction accounts.

Currently, the low reserve tranche on transaction accounts is $40.4 million. The increase in the total of net transaction accounts of all depository institutions from June 30, 1989, to June 30, 1990 was 2.2 percent (from $580.6 billion to $593.1 billion). In accordance with section 19(b)(2), the Board is amending Regulation D to increase the low reserve tranche for transaction accounts for 1991 by $0.7 million to $41.1 million.

Section 19(b)(11)(A) of the Federal Reserve Act provides that $2 million of reservable liabilities[1/] of each depository institution shall be subject to a zero percent reserve requirement. Section 19(b)(11)(A) permits each depository institution, in accordance with the rules and regulations of the

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1/ Reservable liabilities include transaction accounts, nonpersonal time deposits, and Eurocurrency liabilities as defined in section 19(b)(5) of the Federal Reserve Act.

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.

Section 19(b)(11)(B) of the Federal Reserve Act provides that, before December 31 of each year, the Board shall issue a regulation adjusting for the next calendar year the dollar amount of reservable liabilities exempt from reserve requirements. Unlike the adjustment for transaction accounts, which adjustment can result in a decrease as well as an increase, the change in the exemption amount is to be made only if the total reservable liabilities held at all depository institutions increases from one year to the next. Total reservable liabilities of all depository institutions from June 30, 1989, to June 30, 1990, declined by 2.8 percent (from $1,259.7 billion to $1,224.1 billion). Under section 19(b)(11)(B), the Board's Regulation D will not be changed. Consequently, the reserve requirement exemption for 1991 will remain at the 1990 level of $3.4 million. The effect of the application of section 19(b) of the Federal Reserve Act is to increase the low reserve tranche to $41.1 million, to continue to apply a zero percent reserve requirement on the first $3.4 million of transaction accounts, and to apply a three percent reserve requirement on the remainder of the low reserve tranche. Any portion of this zero percent reserve requirement tranche remaining after the tranche is applied to transaction accounts will be applied to nonpersonal time deposits with maturities of less than 1 1/2 years or to Eurocurrency liabilities, both of which are subject to a reserve requirement ratio of three percent.

The tranche adjustment for weekly reporting institutions will be effective starting with the reserve computation period beginning Tuesday, December 25, 1990, and with the corresponding reserve maintenance periods beginning Thursday, December 27, 1990, for net transaction accounts, and Thursday, January 24, 1991, for other reservable liabilities. For institutions that report quarterly, the tranche adjustment will be effective with the computation period beginning Tuesday, December 18, 1990, and with the reserve maintenance period beginning Thursday, January 17, 1991. In addition, all entities currently submitting Form FR 2900 must continue to submit reports to the Federal Reserve under current reporting procedures.

In order to reduce the reporting burden for small institutions, the Board has established a deposit reporting cutoff level to determine deposit reporting frequency. Institutions are screened during the second quarter of each year to determine reporting frequency beginning the following September. In March of 1985, the Board indexed this reporting cutoff level in an amount equal to 80 percent of the annual rate of increase of total deposits.[2] In July of 1988, in conjunction with approval of the extension of the deposit reporting system, the Board increased the cutoff level base upon which the indexing is to be applied to $40 million. The current reporting cutoff level is $43.4 million.

From June 30, 1989, to June 30, 1990, total deposits grew 1.6 percent, from $3,654.3 billion to $3,713.6 billion. This results in an increase of $0.6 million in the deposit cutoff level that determines the frequency of reporting from the current $43.4 million to $44.0 million. Based on the indexation of the reserve requirement exemption, the cutoff level for total deposits above which reports of deposits must be filed will remain at $3.4 million. Institutions with total deposits below $3.4 million are excused from reporting if their deposits can be estimated from other sources. The $44.0 million cutoff level for weekly versus quarterly FR 2900 reporting and for quarterly FR 2910q versus annual FR 2910a reporting, and the $3.4 million level threshold for reporting will be used in the second quarter 1991 deposits report screening process, and the adjustments will be made when the new deposit reporting panels are implemented in September 1991.

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[2] In November of 1985, the Board amended the definition of "total deposits" as used in determining the cutoff level to include not only gross transaction deposits, savings accounts, and time deposits, but also reservable obligations of affiliates, ineligible acceptance liabilities, and net Eurocurrency liabilities.

All U.S. branches and agencies of foreign banks and all Edge and Agreement Corporations, regardless of size, and all other institutions that have reservable liabilities in excess of the exemption level amount prescribed by section 19(b)(11) of the Federal Reserve Act (known as "nonexempt institutions") and total deposits at least equal to the deposit cutoff level are required to file weekly the Report of Transaction Accounts, Other Deposits and Vault Cash (FR 2900). Depository institutions that have reservable liabilities in excess of the exemption level, but have total deposits less than the deposit cutoff level, may file the FR 2900 quarterly for the twelve month period starting each September. Institutions that obtain funds from non-U.S. sources or that have foreign branches or international banking facilities are required to file the Report of Certain Eurocurrency Transactions (FR 2950/2951) on the same frequency as they file the FR 2900. The deposit cutoff is also used to determine whether an institution with reservable liabilities at or below the exemption level (known as an "exempt institution") must file either the Quarterly Report of Selected Deposits, Vault Cash, and Reservable Liabilities (FR 2910q) or the Annual Report of Total Deposits and Reservable Liabilities (FR 2910a). Exempt institutions (that is, institutions with total deposits less than the exemption amount) are not required to file a deposits report if their deposits can be estimated from other sources.

Finally, the Board may require a depository institution to report on a weekly basis, regardless of the cutoff level, if the institution manipulates its total deposits and other reservable liabilities in order to qualify for quarterly reporting. Similarly, any depository institution that reports quarterly may be required to report weekly and to maintain appropriate reserve balances with its Reserve Bank if, during its computation period, it understates its usual reservable liabilities or it overstates the deductions allowed in computing required reserve balances.

Notice and public participation. 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 and by an interpretative statement reaffirming the Board's policy concerning reporting practices. The amendments also reduce regulatory burdens on depository institutions. Accordingly, the Board finds good cause for determining, and so determines, that notice and public participation are unnecessary and contrary to the public interest.

The provisions of 5 U.S.C. 553(d) relating to notice of the effective date of a rule have not been followed in connection with the adoption of these amendments because the amendments relieve a restriction on depository institutions, and for this reason there is good cause to determine, and the Board so determines, that such notice is not necessary.

Regulatory Flexibility Act analysis. Pursuant to section 605(b) of the Regulatory Flexibility Act (Pub. L.

No. 96-354, 5 U.S.C. 601 et seq.), the Board certifies that the proposed amendments will not have a significant economic impact on a substantial number of small entities. The proposed amendments reduce certain regulatory burdens for all depository institutions, reduce certain burdens for small depository institutions, and have no particular effect on other small entities.

List of Subjects in 12 CFR Part 204

Banks, banking, Currency, Federal Reserve System, Penalties, Reporting and recordkeeping requirements.

Pursuant to the Board's authority under section 19 of the Federal Reserve Act, 12 U.S.C. 461 et seq., the Board is amending 12 CFR Part 204 as follows:

PART 204 -- RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS

1. The authority citation for Part 204 continues to read as follows:

AUTHORITY: Sections 11(a), 11(c), 19, 25, 25(a) of the Federal Reserve Act (12 U.S.C. 248(a), 248(c), 371a, 371b, 461, 601, 611); section 7 of the International Banking Act of 1978 (12 U.S.C. 3105); and section 411 of the Garn St-Germain Depository Institutions Act of 1982 (12 U.S.C. 461).

2. In § 204.9 paragraph (a)(1) is revised to read as follows:

§ 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[1]	
$0 to $41.1 million	3 percent of amount.
over $41.1 million	$1,233,000 plus 12 percent of amount over $41.1 million.
Nonpersonal time deposits by original maturity (or notice period):	
Less that 1 1/2 years	3 percent.
1 1/2 years or more	0 percent.
Eurocurrency liabilities	3 percent.

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[1]Dollar amounts do not reflect the adjustment to be made by the next paragraph.

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By order of the Board of Governors of the Federal Reserve System, November 28, 1990.

(signed) William W. Wiles

William W. Wiles
Secretary of the Board