



FEDERAL RESERVE BANK
OF DALLAS

TONY J. SALVAGGIO
FIRST VICE PRESIDENT

DALLAS, TEXAS 75222

December 9, 1992

Notice 92-120

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 from \$42.2 million to \$46.8 million in the net transaction accounts to which a three-percent reserve requirement will apply in 1993. (This adjustment is the low reserve tranche adjustment.) The Board also increased from \$3.6 million to \$3.8 million the amount of reservable liabilities of each depository institution that is subject to a zero-percent reserve requirement.

Additionally, the Board maintained at \$44.8 million the deposit cutoff level that is used in conjunction with the reservable liabilities exemption amount to determine the frequency of deposit reporting.

The low reserve tranche adjustment and the reservable liabilities exemption adjustment will be effective for weekly reporting institutions starting with the reserve computation period beginning Tuesday, December 22, 1992, and with the corresponding reserve maintenance period beginning Thursday, December 24, 1992. For institutions that report quarterly, the low reserve tranche adjustment and the reservable liabilities exemption adjustment will be effective with the computation period beginning Tuesday, December 15, 1992, and with the corresponding reserve maintenance period beginning Thursday, January 14, 1993.

ATTACHMENT

A copy of the Board's notice (Federal Reserve System Docket No. R-0781) is attached.

MORE INFORMATION

For more information, please contact the Bank's Reserve Maintenance Division at (214) 922-5646. Depository institutions in the Houston territory should contact the Reserve Maintenance Division in the Houston Office at (713) 652-1538.

For additional copies of this Bank's notice, please contact the Public Affairs Department at (214) 922-5254.

Sincerely,

A handwritten signature in cursive script, appearing to read "Tomp. Salzman".

FEDERAL RESERVE SYSTEM

12 CFR Part 204

[Regulation D; Docket No. R-0781]

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 \$42.2 million to \$46.8 million of net transaction accounts. This adjustment is known as the low reserve tranche adjustment. The Board has increased from \$3.6 million to \$3.8 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 is also leaving unchanged at \$44.8 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 15, 1992. Compliance Dates: For depository institutions that report weekly, the low reserve

tranche adjustment and the reservable liabilities exemption adjustment will be effective on the reserve computation period that begins Tuesday, December 22, 1992, and on the corresponding reserve maintenance period that begins Thursday, December 24, 1992. For institutions that report quarterly, the low reserve tranche adjustment and the reservable liabilities exemption adjustment will be effective on the reserve computation period that begins Tuesday, December 15, 1992, and on the corresponding reserve maintenance period that begins Thursday, January 14, 1993. For all depository institutions, the deposit cutoff level will be used to screen institutions in the second quarter of 1993 to determine the reporting frequency for the twelve month period that begins in September 1993.

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 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. Effective April 2, 1992, the Board lowered the required reserve ratio applicable to transaction account balances exceeding the low reserve tranche from 12 percent to 10 percent. 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 at all depository institutions over the one-year period that ends on the June 30 prior to the adjustment.

Currently, the low reserve tranche on transaction accounts is \$42.2 million. The increase in the total of net transaction accounts of all depository institutions from June 30, 1991, to June 30, 1992 was 13.6 percent (from \$612.6 billion to \$696.2 billion). In accordance with section 19(b)(2), the Board is amending Regulation D to increase the low reserve tranche for transaction accounts for 1993 by \$4.6 million to \$46.8 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

^{1/} Reservable liabilities include transaction accounts, nonpersonal time deposits, and Eurocurrency liabilities as defined in section 19(b)(5) of the Federal Reserve Act. The reserve ratio on nonpersonal time deposits and Eurocurrency liabilities is zero percent.

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.

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. The percentage increase in the exemption is to be 80 percent of the increase in total reservable liabilities of all depository institutions as of the year ending June 30. Total reservable liabilities of all depository institutions from June 30, 1991, to June 30, 1992, increased by 6.9 percent (from \$1,298.5 billion to \$1,387.6 billion). Under section 19(b)(11)(B), the reservable liabilities exemption amount will be increased by \$0.2 million. Consequently, the reservable liabilities exemption amount for 1993 will increase to \$3.8 million.

The effect of the application of section 19(b) of the Federal Reserve Act to the change in the total net transaction accounts and the change in the total reservable liabilities from June 30, 1991 to June 30, 1992 is to increase the low reserve tranche to \$46.8 million, to apply a zero percent reserve requirement on the first \$3.8 million of transaction accounts, and to apply a three percent reserve requirement on the remainder of the low reserve tranche.

The tranche adjustment and the reservable liabilities exemption adjustment for weekly reporting institutions will be effective on the reserve computation period beginning Tuesday, December 22, 1992, and on the corresponding reserve maintenance period beginning Thursday, December 24, 1992. For institutions that report quarterly, the tranche adjustment and the reservable liabilities exemption adjustment will be effective on the computation period beginning Tuesday, December 15, 1992, and on the reserve maintenance period beginning Thursday, January 14, 1993. In addition, all institutions 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 July of 1988 the Board set the cutoff level at \$40

million plus an amount equal to 80 percent of the annual rate of increase of total deposits.^{2/} The current reporting cutoff level is \$44.8 million.

From June 30, 1991, to June 30, 1992, total deposits fell 0.1 percent, from \$3,794.0 billion to \$3,790.2 billion. This results in no change in the deposit cutoff level that determines the frequency of reporting. Consequently, the deposit cutoff level will remain at \$44.8 million. Based on the indexation of the reservable liabilities exemption, the cutoff level for total deposits above which reports of deposits must be filed will rise from \$3.6 million to \$3.8 million. Institutions with total deposits below \$3.8 million are excused from reporting if their deposits can be estimated from other data sources. The \$44.8 million cutoff level for weekly versus quarterly FR 2900 reporting and for quarterly FR 2910q versus annual FR 2910a reporting, and the \$3.8 million level threshold for reporting will be used in the second quarter 1993 deposits report screening process, and the adjustments will be made when the new deposit reporting panels are implemented in September 1993.

All U.S. branches and agencies of foreign banks and all Edge and Agreement Corporations, regardless of size, are required to file weekly the Report of Transaction Accounts, Other Deposits and Vault Cash (FR 2900). All other institutions that have

^{2/} "Total deposits" as used in determining the cutoff level includes not only gross transaction deposits, savings accounts, and time deposits, but also reservable obligations of affiliates, ineligible acceptance liabilities, and net Eurocurrency liabilities.

reservable liabilities in excess of the exemption level 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 (\$44.8 million) are also required to file weekly the Report of Transaction Accounts, Other Deposits and Vault Cash (FR 2900). However, nonexempt institutions with total deposits less than the deposit cutoff level (\$44.8 million), may file the FR 2900 quarterly for the twelve month period starting September 1993. 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) at the same frequency as they file the FR 2900.

Institutions with reservable liabilities at or below the exemption level (\$3.8 million) (known as "exempt institutions") must file the Quarterly Report of Selected Deposits, Vault Cash, and Reservable Liabilities (FR 2910q) if their total deposits are not below the deposit cutoff level (\$44.8 million). Exempt institutions with total deposits less than the deposit cutoff level but more than the exemption amount must file the Annual Report of Total Deposits and Reservable Liabilities (FR 2910a). Institutions that have total deposits less than the exemption amount (\$3.8 million) are not required to file deposit reports if their deposits can be estimated from other data 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, Federal Reserve System, Reporting and record keeping 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 is revised to read as follows:

AUTHORITY: Sections 11(a), 11(c), 19, 25, 25A of the Federal Reserve Act (12 U.S.C. 248(a), 248(c), 371a, 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 paragraphs (a)(1) and (a)(2) are 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:

| <u>Category</u> | <u>Reserve requirement</u> |
|---------------------------------------|--|
| Net transaction accounts ¹ | |
| \$0 to \$46.8 million | 3 percent of amount. |
| over \$46.8 million | \$1,404,000 plus 10 percent of amount over \$46.8 million. |
| Nonpersonal time deposits | 0 percent. |
| Eurocurrency liabilities | 0 percent. |

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

(a)(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) of this section not in excess of \$3.8 million determined in accordance with § 204.3(a)(3) of this part.

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-11-

By order of the Board of Governors of the Federal
Reserve System, November 23, 1992.

(signed) William W. Wiles

William W. Wiles
Secretary of the Board