



FEDERAL RESERVE BANK  
OF DALLAS

TONY J. SALVAGGIO  
FIRST VICE PRESIDENT

August 30, 1993

DALLAS, TEXAS 75222

Notice 93-91

**TO:** The Chief Operating Officer of  
each financial institution in the  
Eleventh Federal Reserve District

**SUBJECT**

**Operating Circular 4  
(Reserves of Depository Institutions)**

**DETAILS**

The Federal Reserve Bank of Dallas has begun renaming and reissuing its Bulletins as Operating Circulars in order to conform to the language used in the Uniform Commercial Code. Accordingly, Bulletin 4 is being reissued as Operating Circular 4 (Reserves of Depository Institutions). There are no substantial changes.

**ENCLOSURE**

Enclosed is Operating Circular 4. Please file it in your Operating Circulars (Bulletins) binder and discard the old version.

**MORE INFORMATION**

For more information, please contact the Reserves and Risk Management Division at (214) 922-5646, at the Dallas Office. Depository institutions in the El Paso territory should contact the Reserve Maintenance Division at (915) 521-8212; in the Houston territory, (713) 652-1538, and in the San Antonio territory, (210) 224-2141.

For additional copies of this Bank's notice or Operating Circular 4, please contact the Public Affairs Department at (214) 922-5254.

Sincerely,

A handwritten signature in cursive script, reading "Tony J. Salvaggio".

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# Operating Circular

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F e d e r a l   R e s e r v e   B a n k   o f   D a l l a s

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**4**

**Reserves of  
Depository Institutions**

# Scope

Operating Circular 4 sets forth general information pertaining to reserve balances that depository institutions are required by Section 19 of the Federal Reserve Act and Regulation D of the Board of Governors of the Federal Reserve System to maintain with this Bank.

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## DEFINITIONS

### *FR 2900 Report*

1. "FR 2900 Report" means the "Report of Transaction Accounts, Other Deposits and Vault Cash" (Form FR 2900), sufficient copies of which are supplied annually to depository institutions and extra copies of which may be obtained from this Bank as needed.

### *Contemporaneous Reserve Requirements*

2. Effective February 2, 1984, weekly reporting institutions are required to maintain reserves on their transaction account balances "contemporaneously"—that is, with a two-day lag—while reserve requirements on nontransaction liabilities continue to be met on a lagged basis. It is important to note that contemporaneous reserve requirements (CRR) place a greater responsibility on depository institutions to project their own reserve requirements in advance of the maintenance period.

### *Computation Period*

3. "Computation period for weekly reporters"—a two-week period beginning on a Tuesday and ending on the second Monday thereafter, which consists of two reporting periods. Data from two separate computation periods are needed to calculate the total reserve requirement to be maintained during a given maintenance period, as follows:

- A. Computation period for transaction accounts for weekly reporters—a two-week period that begins on a Tuesday, two days before the beginning of the corresponding maintenance period; also called the *contemporaneous* computation period. The reserve requirement on transaction accounts is calculated on the basis of data drawn from this period. (See Supplement A for the current schedule.)
- B. Computation period for nonpersonal time and savings deposits, Eurocurrency liabilities, and vault cash for weekly reporters—a two-week period that ends on a Monday, two days before the beginning of the corresponding maintenance period; also called *lagged* computation period. Vault cash for the period is used to satisfy all reserve requirements

in the corresponding maintenance period. (See Supplement A for the current schedule.)

4. "Computation period for quarterly reporters"—a one-week period beginning on the third Tuesday of March, June, September, and December and ending the following Monday, which corresponds to a reporting period. (See Supplement B for the current schedule.)

### *Maintenance Period*

5. "Maintenance period for weekly reporters" means the two-week—14-day—reserve period starting on a Thursday and ending on the second Wednesday thereafter. In other words, the maintenance period will end only two days after the end of its corresponding contemporaneous computation period but 16 days after the end of its corresponding lagged computation period. Settlement day will then be every other Wednesday.

6. "Maintenance period for quarterly reporters" means the 13 one-week periods that begin on the fourth Thursday after the end of the March, June, September, and December computation periods, during which a depository institution holds reserve and clearing balances to satisfy its total balance requirement. A given maintenance cycle for quarterly reporters ends on the fourth Wednesday after the close of the institution's next computation period.

### *Reference to Operating Circular 1 (Bulletin 1)*

7. Several definitions, rules of construction, and other provisions applicable to this Operating Circular are found in our Operating Circular 1, *General Provisions*, and are incorporated herein by reference.

## TERMS

8. Terms used in this Operating Circular will have the same meanings given them in the Monetary Control Act of 1980 and in Regulation D of the Board of Governors of the Federal Reserve System, unless otherwise indicated.

## FR 2900 REPORT

### *Submission of FR 2900 Report*

9. Each weekly and quarterly reporting depository institution shall send this Bank a weekly or

quarterly FR 2900 Report. This report should be completed and mailed in time to reach this Bank by the Wednesday after the Monday report period ending date. Depository institutions transmitting their data through the Federal Reserve Bank of Dallas RESPONSE network via the Remote Edited Deposits System (REDSYS) should do so by no later than 2:30 p.m. on the Tuesday after the Monday report period ending date.

***Required Reserves Determined  
by FR 2900 Reports***

10. The FR 2900 Report of a depository institution will determine the amount of reserves required to be maintained in its reserve balance for the maintenance period. As provided in Sections 204.3(c) and 204.3(d) of Regulation D, the reserve requirements of depository institutions are determined on the basis of average daily deposit balances and average daily vault cash during the computation period, as set out in the FR 2900 Reports for that period.

***Determination of Balances at Close  
of the Banking Day***

11. The balance for each day should reflect the balance at the close of business that day. The balance for a nonbanking day will be identical with the balance for the immediately preceding banking day. Each depository institution's balance with the Federal Reserve Bank is computed at the end of each day.

***Correct Completion of FR 2900 Report***

12. Detailed instructions for the preparation of the FR 2900 Report, including a glossary of related terms, are furnished to all reporting depository institutions.

**RESERVE COMPUTATION**

***How to Compute Reserves***

13. Work sheets are provided by the local Federal Reserve Bank for determining the amount of reserves a depository institution must maintain with us. Depository institutions are encouraged to maintain current computations of their required reserves so that they will be aware of their required reserve position and be able to verify the data shown on the "Report of Required Reserves." Copies of the work sheets are available upon request.

***Period to Which Computation Applies***

14. For weekly reporters, the reserve computation made by a depository institution represents the reserves required to be maintained during the maintenance period, which ends only two days after the end of its corresponding contemporaneous computation period but 16 days after the end of its corresponding lagged computation period. For quarterly reporters, the related seven-day maintenance periods begin on the fourth Thursday after the end of the March, June, September, and December computation periods and end on the fourth Wednesday after the close of the institution's next computation period.

***Reserve Balance***

15. The reserve balance of a depository institution shall consist of the depository institution's average daily balance with this Bank at the end of each day during the related maintenance period.

**CHARGES**

***Charges for Reserve Deficiencies***

16. Depository institutions will be notified in writing of any reserve deficiency. Any excess or deficiency of a depository institution's required reserves will be carried forward to the following reserve maintenance period to the extent that such excess or deficiency does not exceed 4 percent of the total reserves required in the maintenance period in which the excess or deficiency occurred. Any excess or deficiency greater than 4 percent will not be carried forward. Any portion of the 4 percent allowable excess or deficiency not offset in the following reserve maintenance period may not be carried forward to subsequent maintenance periods.

***Assessment of Charges***

17. A deficiency charge will be assessed on the 25th day of the month, two months after the month in which the deficiency is incurred. If the 25th day of the month is on a nonbanking day, the charge will be assessed on the first banking day after the 25th.

***Charge Rate***

18. Charges are assessed at a rate of 2 percent per annum greater than the lowest rate in effect for borrowings from this Bank on the first day of the calendar month in which the deficiency or

deficiencies occurred, as specified in Supplement A to Operating Circular 2 (Bulletin 2), *Loans*.

### *Waiver of Charges*

19. This Bank has discretionary power to waive charges for deficiencies, and such power shall be exercised on a case-by-case basis, with particular attention given to instances in which the charge would be nominal and the depository institution is making appropriate efforts to maintain adequate reserves.

## **PASS-THROUGH RESERVE BALANCES**

### **General**

20. This section sets forth the terms for pass-through reserve balances maintained by “pass-through correspondents”—including depository institutions that maintain required reserves at this Bank, Federal Home Loan Banks, the Central Liquidity Facility of the National Credit Union Administration, head or branch offices of Edge Act or agreement corporations, United States branches and agencies of foreign banks, or other authorized institutions—for respondents located in this Federal Reserve District, as provided in Section 204.3(i) of Regulation D.

21. A depository institution desiring to serve as a pass-through correspondent for an institution located in another Federal Reserve District (a depository institution, a branch or agency of a foreign bank, or a head or branch office of an Edge or agreement corporation) should contact the Federal Reserve Bank of the District in which the proposed respondent is located. This Operating Circular does not apply to pass-through arrangements involving respondents located in other Federal Reserve Districts.

### *Designation*

22. A nonmember depository institution (an institution that is not a member of the Federal Reserve System), a branch or agency of a foreign bank, or a head or branch office of an Edge or agreement corporation located in the Eleventh Federal Reserve District (“respondent”) may elect to maintain its required reserve balances with this Bank or through a pass-through correspondent in a “Pass-Through Agreement” letter in the form set forth in Exhibit 1 of this Operating Circular. The pass-through correspondent designated in such a letter must also execute the letter and forward it to us. The

designation of a pass-through correspondent will become effective on the date specified by us in letters to the pass-through correspondent and the respondent that acknowledge receipt of the agreement.

23. If the pass-through correspondent is located in the Eleventh Federal Reserve District, it may elect to include its respondents’ pass-through reserve balances in its reserve account or may elect to establish at the office where it maintains its reserve account a separate “pass-through account” with this Bank in which to hold all reserve balances of only its respondents located in this District, in each case subject to the terms of this Operating Circular. If the pass-through correspondent is located in another Federal Reserve District, it must establish a pass-through account on this Bank’s books.

24. The reserve balances of respondents will be commingled in either the pass-through correspondent’s reserve account or its pass-through account. The balances in the reserve account or pass-through account shall be deemed to be the property of the pass-through correspondent and shall be subject to its sole order.

### *Maintenance of Reserves*

25. At the end of each maintenance period, this Bank will issue to each Eleventh Federal Reserve District depository institution a detailed statement indicating its reserve requirement for the maintenance period. At the same time, the pass-through correspondent will be furnished a summary of the total reserve requirements for its respondents located in the Eleventh District for the maintenance period. Any charge for deficiency in reserve balances for the maintenance period will be imposed by this Bank on the pass-through correspondent by a debit to the reserve account, or pass-through account, in which the deficiency occurred. The pass-through correspondent may recoup any such charge from a respondent in accordance with any agreement between them.

26. The pass-through correspondent shall maintain and retain, for a period of at least five years, records showing all transactions affecting the maintenance of reserve balances by each of its respondents.

27. A pass-through correspondent may use a pass-through account to settle the transactions of

its respondents. A correspondent may maintain balances for weekly respondents only, for quarterly respondents only, or for both weekly and quarterly respondents. Because quarterly reporters maintain reserves on a weekly basis, a pass-through correspondent that is a weekly reporter must maintain sufficient balances in the account for each week of the two-week maintenance period to satisfy the total balance requirements of the quarterly reporters. If the maintained balance in each week does not satisfy the total balance requirements for each week for quarterly reporters, a charge may be imposed on the pass-through correspondent.

28. Inquiries about the provision of services by this Bank directly to a respondent, involving the use of the reserve account or the pass-through account of its pass-through correspondent, should be addressed to the appropriate operating area of this Bank. A respondent that maintains reserves with a pass-through correspondent and desires direct access to this Bank's services may, with our prior approval, open a clearing account with us for that purpose.

29. All wire transfers of funds or payments for wire transfers of securities from the reserve account or the pass-through account must be made by the pass-through correspondent and may not be made by a respondent. All wire transfers of funds or securities to a respondent not maintaining a clearing account with this Bank must be for the account of the pass-through correspondent or other correspondent maintaining an account with this Bank and may designate that the transaction is for the benefit of the respondent in the description portion of the transfer message.

#### *Termination of Pass-Through Agreement*

30. A respondent may terminate a Pass-Through Agreement by delivering written notice of termination to its local Reserve Bank and to the pass-through correspondent. A pass-through correspondent may terminate its agreement by delivering written notice of termination to the local Reserve Bank and to the respondent. Unless otherwise specifically agreed to by this Bank, termination by either a respondent or a pass-through correspondent will be effective at our close of business on the final day of the maintenance period that ends 14 days after the maintenance period in which the notice is received by this Bank. This Bank will establish a reserve account on its books in the name of the former

respondent immediately upon termination of the Pass-Through Agreement unless a new Pass-Through Agreement has been established in accordance with the provisions of paragraphs 22–24.

31. This Bank may terminate a Pass-Through Agreement by issuing written notice of termination to the respondent and to the pass-through correspondent. Such termination shall be effective when received by the respondent or at such later date as is specified in the notice.

#### **RIGHT TO AMEND**

32. We reserve the right to amend this Operating Circular and any appendix, exhibit, or supplement to it at any time without notice.



**EXHIBIT 1**

**PASS-THROUGH AGREEMENT<sup>1</sup>**

To: Federal Reserve Bank of Dallas at

- Dallas
- El Paso
- Houston
- San Antonio

The undersigned respondent and correspondent agree as follows:

1. Respondent hereby selects correspondent to pass through respondent's required reserves to the Reserve Bank.
2. Respondent shall maintain its reserves in an account at correspondent, and correspondent shall pass through such reserves to the Reserve Bank for an account established pursuant to

- Section 204.3(i)(3)(i)(a) or
- Section 204.3(i)(3)(i)(b) or
- Section 204.3(i)(3)(iii)

of Regulation D of the Board of Governors of the Federal Reserve System.

3. Regulation D (12 C.F.R. Part 204) and the Reserve Bank's Operating Circular 4, as they now exist or are hereafter amended, provide additional terms and conditions as to this agreement, and the parties agree to comply therewith.
4. This agreement may be terminated only in accordance with Operating Circular 4.
5. Effective date (to be supplied by the Reserve Bank): \_\_\_\_\_

\_\_\_\_\_  
Respondent

\_\_\_\_\_  
Correspondent

\_\_\_\_\_  
Mailing Address

\_\_\_\_\_  
Mailing Address

\_\_\_\_\_  
City                      State                      ZIP

\_\_\_\_\_  
City                      State                      ZIP

\_\_\_\_\_  
Name

\_\_\_\_\_  
Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

ACCEPTED AND AGREED TO:  
FEDERAL RESERVE BANK OF DALLAS

\_\_\_\_\_  
Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

<sup>1</sup> Prepare in triplicate. After execution by both respondent and correspondent, forward all copies to the Reserve Bank for acceptance. Upon acceptance, the Reserve Bank will supply an effective date and return copies to respondent and correspondent.