FEDERAL RESERVE BANK
OF DALLAS

TONY J. SALVAGGIO
FIRST VICE PRESIDENT

DALLAS, TEXAS
75265-5906

December 9, 1994

Notice 94-130

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 $51.9 million to $54.0 million in the net transaction accounts to which a three-percent reserve requirement will apply in 1995. (This adjustment is the low reserve tranche adjustment.) The Board also increased from $4.0 million to $4.2 million the amount of reservable liabilities of each depository institution that is subject to a zero-percent reserve requirement.

Additionally, the Board increased the deposit cutoff levels that are used in conjunction with the exemption level to determine the frequency and detail of deposit reporting required for each institution from $55.0 million to $55.4 million for nonexempt depository institutions and from $44.8 million to $5.1 million for exempt depository institutions.

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 20, 1994, and with the corresponding reserve maintenance period beginning Thursday, December 22, 1994. 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 20, 1994, and with the corresponding reserve maintenance period beginning Thursday, January 19, 1995.

For additional copies, bankers and others are encouraged to use one of the following toll-free numbers in contacting the Federal Reserve Bank of Dallas: Dallas Office (800) 333-4460; El Paso Branch *Intrastate* (800) 592-1631, *Interstate* (800) 351-1012; Houston Branch *Intrastate* (800) 392-4162, *Interstate* (800) 221-0363; San Antonio Branch *Intrastate* (800) 292-5810.

ATTACHMENT

A copy of the Board's notice as it appears on pages 60701-03, Vol. 59, No. 227, of the Federal Register dated November 28, 1994, is attached.

MORE INFORMATION

For more information, please contact this Bank's Reserve and Risk Management Division at (214) 922-5646. Depository institutions in the El Paso territory should contact the Reserve Maintenance Division in the El Paso Office at (915) 521-8212. Depository institutions in the Houston territory should contact the Reserve Maintenance Division in the Houston Office at (713) 652-1538. Depository institutions in the San Antonio territory should contact the Reserve Maintenance Division in the San Antonio Office at (210) 978-1443.

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

Sincerely,

Tony J. Salvaggio

12 CFR Part 204

[Regulation D; Docket No. R-0857]

Reserve Requirements of Depository Institutions

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final rule.

SUMMARY: The Board is amending 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, from $51.9 million to $54.0 million of net transaction accounts. This adjustment is known as the low reserve tranche adjustment. The Board has increased from $4.0 million to $4.2 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, and the adjustment is known as the reservable liabilities exemption adjustment. The Board is also increasing the deposit cutoff levels that are used in conjunction with the reservable liabilities exemption to determine the frequency of deposit reporting from $55.0 million to $55.4 million for nonexempt depository institutions and from $44.8 million to $45.1 million for exempt institutions. (Nonexempt institutions are those with total reservable liabilities exceeding $4.2 million while exempt institutions are those with total reservable liabilities not exceeding $4.2 million.) Thus nonexempt institutions with total deposits of $55.4 million or more will be required to report weekly while nonexempt institutions with total deposits less than $55.4 million may report quarterly. Similarly, exempt institutions with total deposits of $45.1 million or more will be required to report quarterly while exempt institutions with total deposits less than $45.1 million may report annually.

DATES: *Effective date:* December 20, 1994.

Compliance dates: For depository institutions that report weekly, the low reserve tranche adjustment and the reservable liabilities exemption adjustment will apply to the reserve computation period that begins Tuesday, December 20, 1994, and on the corresponding reserve maintenance period that begins Thursday, December 22, 1994. For institutions that report quarterly, the low reserve tranche adjustment and the reservable liabilities exemption adjustment will apply to the reserve computation period that begins Tuesday, December 20, 1994, and on the corresponding reserve maintenance period that begins Thursday, January 19, 1995. For all depository institutions, the deposit cutoff level will be used to screen institutions in the second quarter of 1995 to determine the reporting frequency for the twelve month period that begins in September 1995.

FOR FURTHER INFORMATION CONTACT: J. Ericson Heyke III, Attorney (202/452-3688), 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 (12 U.S.C. 461(b)(2)) 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 net transaction accounts of $25 million or less and at 12 percent on net 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 net 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 net transaction accounts is $51.9 million. The increase in the net transaction accounts of all depository institutions from June 30, 1993, to June 30, 1994, was 5.0 percent (from $788.5 billion to $828.3 billion). In accordance with section 19(b)(2), the Board is amending Regulation D (12 CFR Part 204) to increase the low reserve tranche for transaction accounts for 1995 by $2.1 million to $54.0 million.

Section 19(b)(11)(A) of the Federal Reserve Act (12 U.S.C. 461 (b)(11)(B)) 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 Board, to designate the reservable liabilities to which this reserve requirement exemption is to apply. However, if net transaction accounts are designated, only those that would otherwise be subject to a three percent reserve requirement (i.e., net 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 the low reserve tranche on net 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, 1993, to June 30, 1994, increased by 5.0 percent (from $1,496.9 billion to $1,571.5 billion). Consequently, the reservable liabilities exemption amount for 1995 under section 19(b)(11)(B) will be increased by $0.2 million to $4.2 million.[2]

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, 1993, to June 30, 1994, is to increase the low reserve tranche to $54.0 million, to apply a zero percent reserve

[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.

[2] Consistent with Board practice, the tranche and exemption amounts have been rounded to the nearest $0.1 million.

requirement on the first $4.2 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 20, 1994, and on the corresponding reserve maintenance period beginning Thursday, December 22, 1994. For institutions that report quarterly, the tranche adjustment and the reservable liabilities exemption adjustment will be effective on the computation period beginning Tuesday, December 20, 1994, and on the reserve maintenance period beginning Thursday, January 19, 1995. 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.[3] In August of 1994, the Board replaced the single deposit cutoff level that had applied to both nonexempt and exempt institutions with separate cutoff levels. The cutoff level for nonexempt institutions, which determines whether they report (on FR 2900) quarterly or weekly, was raised from the indexed level of $44.8 million to $55.0 million. The deposit cutoff level for exempt institutions, which determines whether they report annually (on FR 2910a) or quarterly (on FR 2910q), remained at the indexed level of $44.8 million.

From June 30, 1993, to June 30, 1994, total deposits increased 0.9 percent, from $3,793.3 billion to $3,828.9 billion. Accordingly, the nonexempt deposit cutoff level will increase by $0.4 million to $55.4 million and the exempt deposit cutoff level will increase by $0.3 million to $45.1 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 $4.0 million to $4.2 million. Institutions with total deposits below $4.2 million are excused from reporting if their deposits can be estimated from other data sources. The $55.4 million cutoff level for weekly versus quarterly FR 2900 reporting for nonexempt institutions, the $45.1 million cutoff level for quarterly FR 2910q versus annual FR 2910a reporting for exempt institutions, and the $4.2 million level threshold for reporting will be used in the second quarter 1995 deposits report screening process, and the adjustments will be made when the new deposit reporting panels are implemented in September 1995.

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 reservable liabilities in excess of the exemption level of $4.2 million prescribed by section 19(b)(11) of the Federal Reserve Act (known as "nonexempt institutions") and total deposits at least equal to the nonexempt deposit cutoff level ($55.4 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 nonexempt deposit cutoff level ($55.4 million), may file the FR 2900 quarterly for the twelve-month period starting September 1995. 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 ($4.2 million) (known as exempt institutions) must file the Quarterly Report of Selected Deposits, Vault Cash, and Reservable Liabilities (FR 2910q) if their total deposits equal or exceed the exempt deposit cutoff level ($45.1 million). Exempt institutions with total deposits less than the exempt deposit cutoff level ($45.1 million) but at least equal to the exemption amount ($4.2 million) must file the Annual Report of Total Deposits and Reservable Liabilities (FR 2910a). Institutions that have total deposits less than the exemption amount ($4.2 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 (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, Reporting and recordkeeping requirements.

For the reasons set forth in the preamble, the Board is amending 12 CFR Part 204 as follows:

PART 204—RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS (REGULATION D)

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

[3] "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.

Authority: 12 U.S.C. 248(a), 248(c), 371a, 461, 601, 611, and 3105.

2. In § 204.9 paragraph (a) 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 [1]
Net transaction accounts:	
$0 to $54.0 million	3 percent of amount.
Over $54.0 million	$1,620,000 plus 10 percent of amount over $54.0 million.
Nonpersonal time deposits.	0 percent.
Eurocurrency liabilities.	0 percent.

[1] Before deducting the adjustment to be made by the next paragraph (a)(2) of this section.

(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 $4.2 million determined in accordance with § 204.3(a)(3).

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By order of the Board of Governors of the Federal Reserve System, November 21, 1994.

William W. Wiles,

Secretary of the Board.

[FR Doc. 94-29175 Filed 11-25-94; 8:45 am]

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