Notice 01-87

TO: The Chief Operating Officer of each financial institution and others concerned 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 (Reserve Requirements of Depository Institutions) to decrease from $42.8 million to $41.3 million the amount of net transaction accounts subject to a reserve requirement ratio of three percent in 2002. This adjustment is known as the low reserve tranche adjustment.

The Board has increased from $5.5 million to $5.7 million the amount of reservable liabilities of each depository institution that is subject to a reserve requirement of zero percent in 2002. Also, the Board has increased from $101.0 million to $106.9 million the deposit cutoff level that is used in conjunction with the reservable liabilities exemption to determine the frequency of deposit reporting for nonexempt depository institutions.

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, November 27, 2001, and the corresponding reserve maintenance period that begins Thursday, December 27, 2001. 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 18, 2001, and the corresponding reserve maintenance period that begins Thursday, January 17, 2002.

ATTACHMENT

A copy of the Board’s notice as it appears on pages 53076–78, Vol. 66, No. 203 of the Federal Register dated October 19, 2001, is attached.
MORE INFORMATION

For more information regarding reserve requirements, 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 Dallas Office at (214) 922-5646. 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) 978-1426.

For additional copies of this Bank’s notice, contact the Public Affairs Department at (214) 922-5254 or access District Notices on our web site at http://www.dallasfed.org/banking/notices/index.html.

Sincerely,

Helen E. Holcomb
Board of Governors of the Federal Reserve System

12 CFR Part 204
Regulation D; Docket No. R-1113

Reserve Requirements of Depository Institutions

Final Rule
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 reflect the annual indexing of the low reserve tranche and the reserve requirement exemption for 2002, and announces the annual indexing of the deposit reporting cutoff level that will be effective beginning in September 2002. The amendments decrease the amount of transaction accounts subject to a reserve requirement ratio of three percent in 2002, as required by section 19(b)(2)(C) of the Federal Reserve Act, from $42.8 million to $41.3 million of net transaction accounts. This adjustment is known as the low reserve tranche adjustment. The Board is increasing from $5.5 million to $5.7 million the amount of reservable liabilities of each depository institution that is subject to a reserve requirement of zero percent in 2002. 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 level that is used in conjunction with the reservable liabilities exemption to determine the frequency of deposit reporting from $101.0 million to $106.9 million for nonexempt depository institutions. (Nonexempt institutions are those with total reservable liabilities exceeding the amount exempted from reserve requirements.) Thus, beginning in September 2002, nonexempt institutions with total deposits of $106.9 million or more will be required to report weekly while nonexempt institutions with total deposits less than $106.9 million may report quarterly, in both cases on form FR 2900. Exempt institutions with at least $5.7 million in total deposits may report annually on form FR 2910a.


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, November 27, 2001, and the corresponding reserve maintenance period that begins Thursday, December 27, 2001. 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 18, 2001, and the corresponding reserve maintenance period that begins Thursday, January 17, 2002. For all depository institutions, the deposit cutoff level will be used to screen institutions in the second quarter of 2002 to determine the reporting frequency for the twelve month period that begins in September 2002.
FOR FURTHER INFORMATION CONTACT: Heatherun Allison, Counsel (202/452–3565), Legal Division, or June O’Brien, Economist (202/452–3790), Division of Monetary Affairs; for users of Telecommunications Device for the Deaf (TDD) only, please call 202/263–4869; Board of Governors of the Federal Reserve System, 20th and C Streets, NW., 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 required reserve ratio applicable to transaction account balances exceeding the low reserve tranche is 10 percent. Section 19(b)(2) also provides that, before December 31 of each year, the Board shall issue a regulation adjusting the low reserve tranche for the next calendar year. The adjustment in the tranche is to be 80 percent of the percentage increase or decrease 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 $42.8 million. Net transaction accounts of all depository institutions decreased by 4.3 percent (from $619.3 billion to $592.8 billion) from June 30, 2000, to June 30, 2001. In accordance with section 19(b)(2), the Board is amending Regulation D (12 CFR part 204) to decrease the low reserve tranche for transaction accounts for 2002 by $1.5 million to $41.3 million.

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 increase 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 increased by 5.1 percent (from $2,200.0 billion to $2,313.1 billion) from June 30, 2000, to June 30, 2001. Consequently, the reservable liabilities exemption amount for 2002 under section 19(b)(11)(B) will be increased by $0.2 million from $5.5 million to $5.7 million.\footnote{1}

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, 2000, to June 30, 2001, is to decrease the low reserve tranche to $41.3 million, to apply a zero percent reserve requirement on the first $5.5 million of net transaction accounts, and to apply a three percent reserve requirement on the remainder of the low reserve tranche.

For institutions that report weekly, the tranche adjustment and the reservable liabilities exemption adjustment will be effective for the fourteen-day reserve computation period beginning Tuesday, November 27, 2001, and for the corresponding fourteen-day reserve maintenance period beginning Thursday, December 27, 2001. For institutions that report quarterly, the tranche adjustment and the reservable liabilities exemption adjustment will be effective for the seven-day computation period beginning Tuesday, December 18, 2001, and for the corresponding seven-day reserve maintenance period beginning Thursday, January 17, 2002.

In order to reduce the reporting burden for small institutions, the Board has established deposit reporting cutoff levels to determine deposit reporting frequency. In July 2000, the Board specified that the annual percentage increase in the nonexempt deposit cutoff be set equal to 80 percent of the growth rate of total deposits at all depository institutions over the one-year period ending on the most recent June 30.

From June 30, 2000, to June 30, 2001, total deposits increased 7.3 percent, from $5,216.0 billion to $5,596.6 billion. Accordingly, the nonexempt deposit cutoff level will increase by $5.9 million from $101.0 million in 2001 to $106.9 million in 2002. 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 $5.5 million to $5.7 million. Under the deposit reporting system, institutions are screened during each year to determine their reporting category beginning in the September of that year. Hence, the cutoff level would be used in the 2002 deposit report screening process and new deposit reporting panels will be implemented in September 2002. Accordingly, the Board finds good cause for determining, and so determines, that
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:

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

2. Section 204.9 is revised to read as follows:

**§ 204.9 Reserve requirement ratios.**

(a) 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:

<table>
<thead>
<tr>
<th>Category</th>
<th>Reserve requirement ¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net transaction accounts:</td>
<td></td>
</tr>
<tr>
<td>$0 to $41.3 million</td>
<td>3 percent of amount.</td>
</tr>
<tr>
<td>Over $41.3 million</td>
<td>$1,239,000 plus 10 percent of amount over $41.3 million.</td>
</tr>
<tr>
<td>Nonpersonal time deposits</td>
<td>0 percent.</td>
</tr>
<tr>
<td>Eurocurrency liabilities</td>
<td>0 percent.</td>
</tr>
</tbody>
</table>

¹ Before deducting the adjustment to be made by the paragraph (b) of this section.

(b) 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) of this section not in excess of $5.7 million determined in accordance with § 204.3(a)(3).


Jennifer J. Johnson,  
*Secretary of the Board.*