TO: The Chief Executive 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 has amended Regulation D (Reserve Requirements of Depository Institutions) to reflect the annual indexing of the low reserve tranche and the reserve requirement exemption amount for 2006.

The amendments increase the amount of net transaction accounts at each depository institution that is subject to a 3 percent reserve requirement in 2006 from $47.6 million to $48.3 million. This amount is known as the low reserve tranche. The Regulation D amendments also increase the amount of total reservable liabilities of each depository institution that is subject to a zero percent reserve requirement in 2006 from $7 million to $7.8 million. This amount is known as the reserve requirement exemption amount. The adjustments to both amounts are derived using statutory formulas specified in the Federal Reserve Act.

The Board is also announcing increases in two other amounts—the nonexempt deposit cutoff level and the reduced reporting limit—that are used to determine the frequency with which depository institutions must submit deposit reports. These amounts are indexed annually to reduce reporting burden for smaller depository institutions.

For depository institutions that report weekly, the adjusted low reserve tranche and reserve requirement exemption amount will apply to the 14-day reserve computation period that begins
Tuesday, November 22, 2005, and the corresponding 14-day reserve maintenance period beginning Thursday, December 22, 2005. For depository institutions that report quarterly, the adjusted low reserve tranche and reserve requirement exemption amount will apply to the seven-day reserve computation period beginning Tuesday, December 20, 2005, and the corresponding seven-day reserve maintenance period beginning Thursday, January 19, 2006.

For all depository institutions, the nonexempt deposit cutoff level, the reserve requirement exemption amount, and the reduced reporting limit will be used for 2006 deposit report screening to determine reporting frequency for the 12-month period that begins in September 2006.

ATTACHMENT

A copy of the Board’s notice as it appears on pages 58603–05, Vol. 70, No. 194 of the Federal Register dated October 7, 2005, is attached.

MORE INFORMATION

For more information regarding reserve requirements, depository institutions in the Dallas and El Paso territories should contact this Bank’s Reserve and Risk Management Division at (214) 922-5646. Depository institutions in the Houston territory should contact the Reserve Maintenance Division in the Houston Office at (713) 483-3108. Depository institutions in the San Antonio territory should contact the Reserve Maintenance Division in the San Antonio Office at (210) 978-1426.

Previous Federal Reserve Bank notices are available on our web site at www.dallasfed.org/banking/notices/index.html or by contacting the Public Affairs Department at (214) 922-5254.
FEDERAL RESERVE SYSTEM

12 CFR Part 204
[Regulation D; Docket No. R–1236]

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 reflect the annual indexing of the low reserve tranche and of the reserve requirement exemption amount for 2006. The Regulation D amendments increase the amount of net transaction accounts at each depository institution that is subject to a three percent reserve requirement in 2006 from $47.6 million to $48.3 million. This amount is known as the low reserve tranche. The Regulation D amendments also increase the amount of total reservable liabilities of each depository institution that is subject to a zero percent reserve requirement in 2006 from $7.0 million to $7.8 million. This amount is known as the reserve requirement exemption amount. The adjustments to both of these amounts are derived using statutory formulas specified in the Federal Reserve Act. The Board is also announcing increases in two other amounts, the nonexempt deposit cutoff level and the reduced reporting limit, that are used to determine the frequency with which depository institutions must submit deposit reports. These amounts are indexed annually in order to reduce reporting burden for smaller depository institutions.

DATES: Effective date: November 7, 2005.

Compliance dates: For depository institutions that report weekly, the adjusted low reserve tranche and reserve requirement exemption amount will apply to the fourteen-day reserve computation period that begins Tuesday, November 22, 2005, and the corresponding fourteen-day reserve maintenance period that begins Thursday, December 22, 2005. For depository institutions that report quarterly, the adjusted low reserve tranche and reserve requirement exemption amount will apply to the seven-day reserve computation period that begins Tuesday, December 20, 2005, and the corresponding seven-day reserve maintenance period that begins Thursday, January 19, 2006. For all depository institutions, the nonexempt deposit cutoff level, the reserve requirement exemption amount, and the reduced reporting limit will be used for 2006 deposit report screening to determine reporting frequency for the twelve-month period that begins in September 2006.

FOR FURTHER INFORMATION CONTACT: Heatherun Allison, Senior Counsel (202/452–3565), Legal Division, or Gretchen Weinbach, Senior Economist (202/452–2841), Division of Monetary Affairs; for user of Telecommunications Device for the Deaf (TDD) only, contact (202/263–4869); Board of Governors of the Federal Reserve System, 20th and C Streets, NW., Washington, DC 20551.

SUPPLEMENTARY INFORMATION: Section 19(b)(11)(A) of the Federal Reserve Act (12 U.S.C. 461(b)(11)(A)) provides that a zero percent reserve requirement shall apply at each depository institution to total reservable liabilities that do not exceed a certain amount, known as the reserve requirement exemption amount. The Board shall issue a regulation adjusting the low reserve tranche for the next calendar year. The Act requires the adjustment in the low reserve tranche to be 80 percent of the percentage increase or decrease in total transaction accounts of all depository institutions over the one-year period that ends on the June 30 prior to the adjustment.

Currently, the low reserve tranche is $47.6 million. Net transaction accounts of all depository institutions rose 1.8 percent (from $700.4 billion to $713.1 billion) between June 30, 2004 and June 30, 2005. Accordingly, the Board is amending Regulation D (12 CFR part 204) to increase the low reserve tranche for net transaction accounts by $0.7 million, from $47.6 million for 2005 to $48.3 million for 2006.

Section 19(b)(11)(A) of the Federal Reserve Act (12 U.S.C. 461(b)(11)(A)) provides that a zero percent reserve requirement shall apply at each depository institution to total reservable liabilities that do not exceed a certain amount, known as the reserve requirement exemption amount. Section 19(b)(11)(B) provides that, before December 31 of each year, the Board shall issue a regulation adjusting the low reserve tranche for the next calendar year if total reservable liabilities held at all depository institutions increase from one year to the next. Unlike the low reserve tranche, which can be adjusted upward or downward, no adjustment is made to the reserve requirement exemption amount if total reservable liabilities held at all depository institutions should decrease during the applicable time period. The Act requires the percentage increase in the reserve requirement exemption amount to be 80 percent of the increase in total reservable liabilities of all depository institutions over the one-year period that ends on the June 30 prior to the adjustment.

Total reservable liabilities of all depository institutions increased by 13.7 percent (from $2,946.2 billion to $3,350.0 billion) between June 30, 2004, and June 30, 2005. Accordingly, the Board is amending Regulation D to increase the reserve requirement exemption amount by $0.8 million, from...
$7.0 million for 2005 to $7.8 million for
2006.1

For depository institutions that report
weekly, the adjusted low reserve tranche
and reserve requirement exemption
amount will be effective for the fourteen-day reserve computation
period beginning Tuesday, November
22, 2005, and for the corresponding
fourteen-day reserve maintenance
period beginning Thursday, December
22, 2005. For depository institutions
that report quarterly, the adjusted low
reserve tranche and reserve requirement
exemption amount will be effective for
the seven-day reserve computation
period beginning Tuesday, December
20, 2005, and for the corresponding
seven-day reserve maintenance period
beginning Thursday, January 19, 2006.

2. Deposit Reports. Section 11(b)(2) of
the Federal Reserve Act authorizes the
Board to require depository institutions
to file reports of their liabilities and
assets as the Board may determine to be
necessary or desirable to enable it to
discharge its responsibility to monitor
and control the monetary and credit
aggregates. The Board screens
depository institutions each year and
assigns them to one of four deposit
reporting panels (weekly reporters,
quarterly reporters, annual reporters, or
nonreporters). An institution’s panel
assignment is effective with the annual
deposit panel shifts in September of the
screening year.

In order to ease the reporting burden,
the Board permits institutions with net
transaction account above the reserve
requirement exemption amount but
with total deposits below a specified
level (the “nonexempt deposit cutoff”) to
report quarterly. The Board requires
certain large depository institutions
to report weekly regardless of the level of
their net transaction accounts if their
total deposits exceed a specified level
(the “reduced reporting limit”). The
annual adjustment to the first amount,
the reserve requirement exemption
amount, is described in Section 1 above.
The nonexempt deposit cutoff level and
the reduced reporting limit are also
adjusted annually, by an amount equal
to 80 percent of the increase, if any, in
total deposits of all depository
institutions over the one-year period
that ends on the June 30 prior to the
adjustment.

Total deposits at all depository
institutions increased 8.3 percent (from
$6,962.1 billion to $7,540.4 billion)
between June 30, 2004 and June 30,
2005. Accordingly, the Board is
adjusting the noneexempt deposit cutoff
level upward by $11.3 million, from its
current level of $169.8 million for 2005
to $181.1 million for 2006. The Board is
also adjusting the reduced reporting
limit upward by $75 million, from its
current level of $1.131 billion for 2005
to $1.206 billion for 2006.2

Beginning in September 2006, the
boundaries of the four deposit reporting
panels will be defined as follows. Those
depository institutions with net
transaction accounts over $7.8 million
(the reserve requirement exemption
amount) or total deposits greater than or
equal to $1.206 billion (the reduced
reporting limit) are subject to detailed
reporting, and must file an FR 2900
report either weekly or quarterly. Of this
group, those with total deposits greater
than or equal to $181.1 million (the
nonexempt deposit cutoff level) are
required to file the FR 2900 report each
week, while those with total deposits
less than $181.1 million are required to
file the FR 2900 report each quarter.

Those depository institutions with net
transaction accounts less than or equal
to $7.8 million (the reserve requirement
exemption amount) and with total
deposits less than $1.206 billion (the
reduced reporting limit) are eligible for
reduced reporting, and must either file
a deposit report annually or not at all.
Of this group, those with total deposits
greater than $7.8 million (but less than
$1.206 billion) are required to file the
FR 2910a report annually, while those
with total deposits less than or equal to
$7.8 million are not required to file a
deposit report. A depository institution
that manipulates its reporting, however,
in an attempt to qualify for less frequent
reporting or to reduce its reserve
requirement may be required to report
the FR 2900 on a weekly basis and
maintain appropriate reserve balances
with its Reserve Bank, regardless of its
most recent panel assignment.

Notice and Regulatory Flexibility Act.
The provisions of 5 U.S.C. 553(b)
relating to notice of proposed
rulemaking have not been followed in
connection with the adoption of these
amendments. The amendments involve
expected, ministerial adjustments
prescribed by statute and by the Board’s
policy concerning reporting practices.
The increases in the reserve requirement
exemption amount, the low reserve
tranche, the nonexempt deposit cutoff
level, and the reduced reporting limit
serve to reduce regulatory burdens on
depository institutions. Accordingly, the
Board finds good cause for determining,
and so determines, that notice in
accordance with 5 U.S.C. 553(b) is
unnecessary. Consequently, the
provisions of the Regulatory Flexibility
Act, 5 U.S.C. 601, do not apply to these
amendments.

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:

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.

The following reserve requirement
ratios are prescribed for all depository
institutions, banking Edge and
agreement corporations, and United
States branches and agencies of foreign
banks:

<table>
<thead>
<tr>
<th>Category</th>
<th>Reserve requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net transaction accounts:</td>
<td></td>
</tr>
<tr>
<td>$0 to $7.8 million</td>
<td>0 percent of amount.</td>
</tr>
<tr>
<td>Over $7.8 million and up to $48.3 million</td>
<td>3 percent of amount.</td>
</tr>
<tr>
<td>Over $48.3 million</td>
<td>$1,215,000 plus 10 percent of amount over $48.3 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>

1Consistent with Board practice, the low reserve
tranche and reserve requirement exemption
amounts have been rounded to the nearest $0.1
million.

2Consistent with Board practice, the nonexempt
deposit cutoff level has been rounded to the nearest
$0.1 million, while the reduced reporting limit has
been rounded to the nearest $1 million.
By order of the Board of Governors of the Federal Reserve System, October 4, 2005.

Jennifer J. Johnson,
Secretary of the Board.
[FR Doc. 05–20299 Filed 10–6–05; 8:45 am]
BILLING CODE 6210–01–P