Federal Reserve Board on Wednesday announced the annual indexing of the low
reserve tranche and of the reserve requirement exemption amount for 2007. These amounts
are used in the calculation of reserve requirements of depository institutions. The Board also
announced the annual indexing of the nonexempt deposit cutoff level and the reduced
reporting limit that will be used to determine deposit reporting panels effective 2007.

All depository institutions must hold a percentage of certain types of deposits as reserves in
the form of vault cash, as a deposit in a Federal Reserve Bank, or as a deposit in a pass-
through account at a correspondent institution. Reserve requirements currently are assessed
on the depository institution's net transaction accounts (mostly checking accounts).
Depository institutions must also regularly submit deposit reports of their deposits and other
reservable liabilities.

For net transaction accounts in 2007, the first $8.5 million, up from $7.8 million in 2006,
will be exempt from reserve requirements. A 3 percent reserve ratio will be assessed on net
transaction accounts over $8.5 million up to and including $45.8 million, down from $48.3
million in 2006. A 10 percent reserve ratio will be assessed on net transaction accounts in
excess of $45.8 million.

These annual adjustments, known as the low reserve tranche adjustment and the reserve
requirement exemption amount adjustment, are based on growth in net transaction accounts
and total reservable liabilities, respectively, at all depository institutions between June 30,

For depository institutions that report weekly, the low reserve tranche adjustment and the
reserve requirement exemption amount adjustment will apply to the fourteen-day reserve
computation period that begins Tuesday, November 21, 2006 and the corresponding
fourteen-day reserve maintenance period that begins Thursday, December 21, 2006.

For depository institutions that report quarterly, the low reserve tranche adjustment and the
reserve requirement exemption amount adjustment will apply to the seven-day reserve
computation period that begins Tuesday, December 19, 2006, and the corresponding
seven-day reserve maintenance period that begins Thursday, January 18, 2007.

The Board also announced changes 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. The attached Federal Register notice
contains a description of the new boundaries for deposit reporting that will be effective
2007.
The Board's notice is attached.

Attachment 56 KB PDF | TEXT

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