

**FEDERAL RESERVE BANK
OF NEW YORK**

Circular No. 8844
June 6, 1980

RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS

**Comment Invited on Proposed Regulation D
To Implement Monetary Control Act of 1980**

*To All Depository Institutions (Other Than U.S. Branches and Agencies
of Foreign Banks and Edge and Agreement Corporations),
and Others Concerned, in the Second Federal Reserve District:*

Enclosed are a press release and a proposed regulation on Reserve Requirements of Depository Institutions (Federal Reserve Regulation D). The proposed regulation presents changes in the reserve requirement structure and the computation of reserve requirements arising from the Monetary Control Act of 1980, under which reserve requirements are to be imposed by the Board of Governors of the Federal Reserve System on all depository institutions in the United States that have transactions accounts or nonpersonal time deposits.

Comments on the proposed regulation may be sent to our Legal Department and should be submitted by July 15, 1980. Following a review of comments received by the Federal Reserve, issuance of a final regulation is expected in August 1980.

Under the proposed regulation, a member bank will continue to maintain reserves in the form of vault cash and balances held directly with its Federal Reserve Bank. A depository institution that is not a member of the Federal Reserve System and that is required to maintain reserve balances in excess of its vault cash may elect to do so either (1) by establishing a reserve account directly with the Federal Reserve, or (2) by establishing a correspondent reserve account with (a) another depository institution that maintains required reserve balances with the Federal Reserve, (b) a Federal Home Loan Bank, or (c) the National Credit Union Administration Central Liquidity Facility. In the second case, the reserve balances held by the correspondent must be "passed through" to the Federal Reserve on behalf of the respondent institution. Further information regarding the establishment of such a "pass through" arrangement is expected to be available by early July and will be provided to all depository institutions.

All depository institutions with reservable deposits will be required to submit directly to the Federal Reserve Bank a weekly report of deposits containing daily information, regardless of whether the reporting institution must hold reserve balances or whether any required reserve balances are held directly with the Federal Reserve or indirectly through a "pass through" arrangement. A list of the items to be reported is included in the proposed regulation. We will provide reporting forms and instructions for the deposits reports, as well as the information necessary for the calculation of reserve requirements, as soon as possible following the issuance of the final regulation.

The Monetary Control Act also requires that the Federal Reserve price its services and provide access to these services to all depository institutions. Pricing principles and a schedule for pricing of Federal Reserve services will be published for comment by September 1980.

It is anticipated that the implementation of the Monetary Control Act will enable the Federal Reserve to conduct monetary policy more effectively. The Federal Reserve is aware, however, of the difficulties that may be encountered by depository institutions as adjustments are made to the new reporting requirements and reserve computation procedures. We look forward to working with you to minimize the problems associated with the implementation of the Monetary Control Act.

ANTHONY M. SOLOMON,
President.