

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 8975]
December 17, 1980

AMENDMENTS TO REGULATION D

Preauthorized Transfers of Funds on Reserve Requirements

*To All Depository Institutions,
and Others Concerned, in the Second Federal Reserve District:*

Following is the text of a statement issued by the Board of Governors of the Federal Reserve System regarding reserve requirements on transaction accounts:

The Federal Reserve Board has amended its Regulation D—Reserve Requirements of Depository Institutions—with respect to the period during which a limited number of telephone or preauthorized transfers can be made in an account without causing the account to become subject to a reserve requirement on transaction accounts.

Before revision, Regulation D specified that a depository institution could authorize three or less telephone or preauthorized transfers of funds to be made within a calendar month from an account, without subjecting the account to the reserve requirement on transaction accounts.

With the objective of reducing the burden and cost of compliance, the Board has amended the regulation to provide that the term “calendar month” includes any statement cycle or similar period of at least four weeks for purposes of the three permissible transfers.

At the same time, the Board made a number of technical changes to Regulation D in the nature of clarifications and corrections of minor errors.

The amendments became effective December 1, 1980.

Enclosed is a copy of the text of the amendments to Regulation D. Questions regarding the amendments may be directed to our Consumer Affairs and Bank Regulations Department (Tel No. 212-791-5914).

Also enclosed—for those who have complete sets of regulations—is a revised table of contents. Additional copies of the contents page will be furnished upon request directed to the Circulars Division of this Bank.

ANTHONY M. SOLOMON,
President.

Board of Governors of the Federal Reserve System
RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS

AMENDMENT TO REGULATION D

(effective December 1, 1980)

FEDERAL RESERVE SYSTEM

12 CFR Part 204

[Regulation D; Docket No. R-0336]

Reserve Requirements of Depository Institutions

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final rule and technical amendments.

SUMMARY: The Board of Governors of the Federal Reserve System has amended its Regulation D—Reserve Requirements of Depository Institutions (12 CFR Part 204) which imposes Federal reserve requirements on depository institutions that maintain transaction accounts or nonpersonal time deposits. Under the amendment, a depository institution may permit a depositor to effect three or less telephone or preauthorized transfers from an account during a statement cycle or similar period of at least four weeks without subjecting such account to reserve requirements on transaction accounts. At present, the relevant period for determining the permissible number of transfers is a calendar month. This action will reduce the burden of and cost of compliance with Regulation D.

EFFECTIVE DATE: December 1, 1980.

FOR FURTHER INFORMATION CONTACT: Gilbert T. Schwartz, Assistant General Counsel (202/452-3625), Paul S. Pilecki, Attorney (202/452-3281), or Paige Winebarger, Attorney (202/452-3265), Legal Division, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

SUPPLEMENTARY INFORMATION: The Monetary Control Act of 1980 (Title I of Pub. L. 96-221) ("Act") authorizes the Federal Reserve to impose reserve requirements solely for the purpose of conducting monetary policy on all depository institutions that maintain transaction accounts or nonpersonal time deposits. Depository institutions subject to reserve requirements include

any Federally-insured commercial or savings bank, or any such bank that is eligible to become insured by the Federal Deposit Insurance Corporation; any mutual or stock savings bank; any savings and loan association that is a member of a Federal Home Loan Bank, insured by, or eligible to apply for insurance with, the Federal Savings and Loan Insurance Corporation; and any credit union that is insured by, or eligible to apply for insurance with, the National Credit Union Administration Board. The reserve requirements of the Act also apply to United States branches of foreign banks, to United States agencies of foreign banks with total worldwide consolidated bank assets in excess of \$1 billion, and to Edge and Agreement Corporations.

The revised Regulation D which became effective on November 13, 1980, implements the provisions of the Act. Under Regulation D, the definition of "transaction account" includes accounts under the terms of which, or which by practice of the depository institution, the depositor is permitted or authorized to make more than three withdrawals per calendar month for purposes of transferring funds to another account or for making a payment to a third party by means of preauthorized or telephone agreement, order or instruction. The Board adopted the three-transfer per calendar month rule so that institutions could continue to offer services to enable depositors to effect occasional transfers, particularly in situations such as when a depositor is unable to get to the depository institution to conduct business or where there are inadvertent overdrafts in a checking account which a customer wishes to cover with funds from another account. Recent comments from depository institutions indicate that account records at many institutions are maintained on the basis of statement cycles which, although they approximate a one-month period, do not necessarily coincide with a calendar month. However, in order to comply with the regulation, institutions would

be required to change automated or operational procedures to monitor activity from the first day of the month to the last day of a month. By allowing an institution to adopt a statement cycle or any other period of at least four weeks, the purpose behind the three transfer rule is still served. Moreover, the operational costs to an institution are minimized, since its basic record-keeping cycle can be used as the appropriate time frame for limiting the number of telephone or preauthorized transfers from an account.

The Board believes that this amendment will reduce the burden to depository institutions of compliance with Regulation D. Consequently, the Board, for good cause finds that the notice and public procedure provisions of 5 U.S.C. § 553(b) with regard to this action are impracticable and contrary to the public interest. Since the amendment relieves a regulatory restriction, deferral of the effective date pursuant to 5 U.S.C. § 553(d) is not necessary. In addition, several technical amendments to Regulation D have been made.

Effective December 1, 1980, pursuant to the Board's authority under section 19 of the Federal Reserve Act (12 U.S.C. § 461 *et seq.*), Regulation D (12 CFR Part 204) is amended as follows:

1. In § 204.2(e)(6), the second sentence is amended to read as set forth below:

§ 204.2 Definitions.

* * * * *

(e) "Transaction account" * * *

(6) * * * An account that permits or authorizes more than three such withdrawals in a calendar month, or statement cycle (or similar period) of at least four weeks, is a "transaction account" whether or not more than three such withdrawals actually are made during such period. * * *

* * * * *

2. In § 204.2(b)(1)(vii), by inserting the word "which" after the words "withdrawal period has expired and" and before the words "have not been renewed."

For this Regulation to be complete, retain:

- 1) Regulation D, as revised effective November 13, 1980.
- 2) Supplement to Regulation D, effective November 13, 1980 (*Corrected Copy*).
- 3) Amendments effective November 13, 1980 and December 11, 1980.
- 4) This slip sheet.

§ 204.3 Computation and maintenance.

3. In § 204.3(a), the third sentence is revised by deleting "\$5 million" and inserting in its place "\$15 million".

4. In § 204.3(a), subparagraphs (1)(ii) and (2)(ii) are revised to read as follows:

(a) Maintenance of required reserves.

(1) United States branches and agencies of foreign banks.

(i) * * * * *
(ii) * * * * * if the low reserve tranche cannot be fully utilized by a single office or by a group of offices filing a single report of deposits, the unused portion of the tranche may be assigned to other offices of the same foreign bank until the amount of the tranche is exhausted. The foreign bank shall determine this assignment subject to the restriction that if a portion of the tranche is assigned to an office in a particular State, any unused portion must first be assigned to other offices located within the same State and within the same Federal Reserve District, that is, to other offices included on the same aggregated report of deposits. If necessary in order to

avoid under-utilization of the low reserve tranche, the allocation may be changed at the beginning of a calendar month. Under other circumstances, the low reserve tranche may be reallocated at the beginning of a calendar year.

(2) Edge and Agreement Corporations.

(i) * * * * *
(ii) * * * * * If the low reserve tranche cannot be fully utilized by a single office or by a group of offices filing a single report of deposits, the unused portion of the tranche may be assigned to other offices of the same institution until the amount of the tranche is exhausted. An Edge or Agreement Corporation shall determine this assignment subject to the restriction that if a portion of the tranche is assigned to an office in a particular State, any unused portion must first be assigned to other offices located within the same State and within the same Federal Reserve District, that is, to other offices included on the same aggregated report of deposits. If necessary in order to avoid under-utilization of the low reserve tranche, the allocation may be changed

at the beginning of a calendar month. Under other circumstances, the low reserve tranche may be reallocated at the beginning of a calendar year.

§ 204.4 [Amended]

5. In § 204.4(b) (1)(ii) and (2)(ii), by deleting the word "exceeds" and inserting in its place "exceed".

6. In § 204.4(b)(2), by deleting the parentheses that appear around the phrase "than its required reserves computed using the reserve ratios in effect on August 31, 1980."

7. In § 204.4(g)(2)(iv), by deleting the phrase "daily average vault cash" and inserting "daily average total required reserves" in both places that it appears.

8. In § 204.6(b)(1), by deleting the word "on" which appears after the word "imposed" and before the word "for."

By order of the Board of Governors, December 5, 1980.

Theodore E. Allison, Secretary of the Board.

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