

FEDERAL RESERVE BANK
OF NEW YORK

Circular No. 9118
August 3, 1981

RESERVE REPORTING AND MAINTENANCE
Revision of Operating Circular No. 2

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

Enclosed is a copy of our Operating Circular No. 2, "Reserve Reporting and Maintenance," Revised July 30, 1981. The operating circular has been revised in order to incorporate changes in reserve reporting and reserve maintenance procedures resulting from the enactment of the Monetary Control Act of 1980. It contains general information about the reporting of reservable liabilities and the determination of reserve requirements, as well as the maintenance of reserves, penalties for deficiencies in reserves, and monetary charges for overdrafts in reserve accounts.

Questions regarding the operating circular may be directed, at the Head Office, to Jane L. Katz, Chief, Accounting Control Division (Tel. No. 212-791-5250), or, at our Buffalo Branch, to Philip G. Coletti, Chief, Accounting Division (Tel. No. 716-849-5064).

Additional copies of the enclosure will be furnished upon request.

ANTHONY M. SOLOMON,
President.

FEDERAL RESERVE BANK
OF NEW YORK

[Operating Circular No. 2
Revised July 30, 1981]

RESERVE REPORTING AND MAINTENANCE

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

This operating circular contains information regarding the reporting and maintenance of reserves (including "pass through" reserves) by depository institutions, Edge and Agreement corporations, agencies of foreign banks with worldwide assets in excess of \$1 billion, and all branches of foreign banks with offices in the Second Federal Reserve District (hereinafter "institutions"); the method of determining required reserves; the penalties for deficiencies in reserves; and the monetary charges for overdrafts in reserve account balances. Additional detailed information regarding these requirements and related procedures is contained in our *Reserves and Reserve Maintenance Manual*, a copy of which may be obtained from the Accounting Control Division of this Bank.

Statutory requirements

1. Sections 19 and 25(a) of the Federal Reserve Act, together with Section 7 of the International Banking Act of 1978, require each institution to maintain reserves against certain deposits and certain transaction accounts in ratios determined by the Board of Governors of the Federal Reserve System. In this regard, the Board of Governors is authorized to define certain terms, to permit institutions to count all or part of their vault cash toward meeting their required reserves, and to prescribe penalties for reserve deficiencies.

Regulation D

2. The Board of Governors has promulgated its Regulation D (12 C.F.R. Part 204), which should be consulted for complete details on reserve requirements and for the penalties prescribed for deficiencies in reserves. A Supplement to Regulation D sets forth the current reserve requirement ratios. Copies of Regulation D, current supplements and other operating circulars referred to in this operating circular may be obtained from our Circulars Division.

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Reports of deposits, other reservable transactions, and vault cash

3. Institutions with transaction accounts or non-personal time deposits are required to file reports with this Bank. The reports to be filed, using forms provided by this Bank, are: FR 2900, "Report of Transaction Accounts, Other Deposits and Vault Cash"; and FR 2950 or 2951, "Report of Certain Eurocurrency Transactions", as applicable (these reports are collectively referred to as "reports of deposits"). Institutions must submit reports of deposits in accordance with the following schedule:

| <u>Institution</u> | <u>Size of total deposits*</u> | <u>Report form</u> | <u>Frequency of report</u> |
|--|---|--|---------------------------------------|
| Member banks | \$15 million or more | FR 2900; FR 2950 | Weekly |
| Member banks | Less than \$15 million | FR 2900; FR 2950 | Quarterly (with option for weekly) |
| Nonmember institutions† | \$15 million or more | FR 2900; FR 2950 | Weekly |
| Nonmember institutions† | At least \$2 million but less than \$15 million | FR 2900; FR 2950 | Quarterly (with option for weekly) |
| Nonmember institutions† | Less than \$2 million | (Reserve reporting and maintenance requirements currently deferred.) | |
| Edge and Agreement corporations | All | FR 2900; FR 2950 | Weekly |
| Branches and agencies of foreign banks | All | FR 2900; FR 2951 | Weekly |

Weekly reports of deposits cover closing balances on each day of the seven-day period (the "computation period") beginning with Thursday and ending on the following Wednesday. Institutions required to report should transmit their completed forms to the Deposit Reports Division of this Bank by 12 noon on the Friday following the Wednesday close of each computation week. Each institution has sole responsibility for the filing and accuracy of such reports of deposits regardless of whether it maintains its required reserves with

* The basic determination date for deposit size is December 31, 1979; individual institutions will be notified by this Bank if the frequency of reporting differs from this general schedule as a result of interpretations made by the Board of Governors.

† Excluding Edge and Agreement corporations, and branches and agencies of foreign banks.

a pass-through correspondent or directly with this Bank. Member and nonmember institutions eligible to file quarterly reports of deposits must file FR 2900 and, if applicable, FR 2950 for one seven-day computation period during each calendar quarter, pursuant to a schedule provided by this Bank's Deposit Reports Division.

Determination of required reserves

4. Required reserves are based on the daily average deposit balances during the seven-day computation period, as provided in the weekly or quarterly reports of deposits filed by each institution. Required reserves are computed by this Bank by applying the ratios prescribed in the current supplement to Regulation D to the classes of deposits and Eurocurrency liabilities of the institution. This requirement is then reduced if the institution is eligible for a "transitional adjustment" as prescribed in Section 204.4 of Regulation D. The reserve balance to be maintained with this Bank is then determined by deducting the average daily vault cash held during the computation period from the institution's total required reserves, and after applying any allowable carryover from the preceding maintenance week as set forth in paragraph 8 below.

Form ACC 80

5. After receipt and processing of an institution's weekly or quarterly report of deposits forms, this Bank will send to the institution Form ACC 80, "Report of Reserve Requirements on Transaction Accounts, Other Deposits, and Vault Cash," indicating this Bank's computation of an institution's average daily required reserves. Each institution should verify the accuracy of the data provided on the Form ACC 80, including the computation of the required reserves. Our Operating Circular No. 2A should be consulted for information regarding reports that are to be furnished to pass-through correspondents by this Bank.

Establishment of reserve and pass-through accounts

6. Reserve and pass-through accounts may be established with this Bank pursuant to our Operating Circulars No. 7 and No. 7A; additional information concerning pass-through reserves is contained in our Operating Circular No. 2A.

Maintenance of required reserve balances

7. Required reserve balances in reserve and separate pass-through accounts of weekly reporting institutions are maintained on an average

daily basis for the seven-day period (the "maintenance period") beginning on the second Thursday following the end of the computation period. Required reserve balances for quarterly reporting institutions are maintained each week on a daily average basis for approximately 3 months beginning 22 calendar days after the end of the computation period. Reserve balances may be affected by entries made to the institution's account at this Bank for deposits and shipments of currency and coin, cash and noncash item deposits and presentments; advances made by this Bank; wire transfers of funds and securities; drafts drawn on reserve accounts ("Federal Funds checks")^o; dividends paid to member banks on this Bank's capital stock; and other payments made to and received by this Bank for the account of an institution. Our operating circulars should be consulted regarding the timing of such entries. Institutions maintaining reserve and separate pass-through accounts with this Bank are authorized by the Federal Reserve Act to check against and otherwise withdraw reserve balances in such accounts subject to the imposition of penalties for deficiencies in reserves and monetary charges for overdrafts in such accounts, as set forth in paragraph 11 below.

Carryover of excess or deficient reserves

8. Any excess or deficiency in an institution's required reserve balances maintained in its reserve account or, if it is a pass-through correspondent, in its pass-through account at this Bank for any maintenance period will be carried forward to the next maintenance period only, and only to the extent that such excess or deficiency does not exceed two percent of required reserves. For further details of the carry-over allowance, reference should be made to Appendix A of our *Reserves and Reserve Maintenance Manual*.

"As-of" reserve adjustments

9. Debit or credit adjustments to an institution's reserve account or separate pass-through account may be issued on an "as-of" basis for reserve maintenance purposes by the Accounting Department or other operating areas of this Bank. As-of adjustments are made, subject to this Bank's policy guidelines, to reflect the effects of charges or credits to an institution's reserve position that may be necessary and appropriate to compensate for errors or omissions in transactions

^o The normal deposit deadline for the presentment of Federal Funds checks at this Bank is 3:30 p.m., Monday through Friday.

processing and for other reserve maintenance purposes. For further details, reference should be made to Appendix B of our *Reserves and Reserve Maintenance Manual*.

Form ACC 73

10. After the end of each maintenance period, each institution maintaining reserve balances in a reserve or separate pass-through account with this Bank will receive a Form ACC 73, "Final Reserve Computation," which will indicate the institution's total required reserves or pass-through reserves (net of transitional adjustment), its total reserves maintained (including net "as-of" adjustments applied and vault cash), the amount by which its reserves were excess or deficient for the period, the allowable carryover from the previous reserve period, and the allowable carryover to the next reserve period. Form ACC 73 will not be furnished to respondent institutions maintaining their reserve balances with a pass-through correspondent.

Penalties for reserve deficiencies and account overdrafts

11. Any institution not meeting its reserve requirement during a maintenance period will be subject to penalty in accordance with Section 204.7(a)(1) of Regulation D. Penalties may be assessed for any deficiencies in reserve balances remaining after the application of the two percent carryover allowance described in paragraph 8. A pass-through correspondent institution will also be subject to penalty in accordance with Section 204.3(i)(4) of Regulation D for any deficiency in its reserve account or separate pass-through account balance after the application of any carryover. In addition, zero or positive balances in reserve and separate pass-through accounts should be maintained each day. End-of-day overdrafts (negative balances) will be subject to monetary charges pursuant to policy guidelines issued by this Bank. Negative balances that result from Reserve Bank error are not considered to be overdrafts subject to monetary charge.

Verification of Reserve Bank reports

12. If an institution, including a pass-through correspondent, discovers any discrepancy it cannot resolve between its own records and the reports of this Bank on Form ACC 80 or Form ACC 73, the discrepancy should be reported immediately to the Reserve Analysis Section of the Accounting Control Division at the Head Office (Tel. No. 212-791-5994), or to the Accounting Division at the Buffalo Branch (Tel. No. 716-849-5064).

Worksheets for calculating reserve position

13. Worksheets designed to assist institutions in maintaining reserves are available from this Bank. These worksheets allow institutions to determine their cumulative reserve positions daily. Copies of the worksheets and instructions may be obtained from the Reserve Analysis Section of the Accounting Control Division at the Head Office, or the Accounting Division at the Buffalo Branch. The worksheets are for an institution's internal use and should not be filed with this Bank.

Revision of this circular

14. We reserve the right to amend this operating circular at any time.

Effect of this circular on previous circular

15. This operating circular supersedes our Operating Circular No. 2, Revised effective September 12, 1968.

ANTHONY M. SOLOMON,
President.

7-11-68 (Revised)

If an institution, including a pass-through correspondent, cannot resolve a discrepancy between its own records and the records of the Bank on Form ACC 80 or Form ACC 73, the discrepancy should be reported immediately to the Reserve Analysis Section of the Accounting Control Division at the Head Office (Tel. No. 212-261-9711) or the Accounting Division at the Buffalo Branch (Tel. No. 716-216-2311).