

**FEDERAL RESERVE BANK
OF NEW YORK**

Circular No. 9207
December 7, 1981

AMENDMENT TO REGULATION D

**Exemption from Reserve Requirements for Certain Depository Institutions
With Offices in Hawaii**

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

Following is the text of a statement by the Board of Governors of the Federal Reserve System:

The Federal Reserve Board has amended its Regulation D (reserve requirements) to implement new legislation that provides a five-year exemption from Federal reserve requirements for certain nonmember institutions with offices in Hawaii.

The law previously provided such an exemption only for certain state-chartered institutions. The revised law and regulation apply the five-year exemption to deposits held or maintained in Hawaii by all institutions that were required to maintain Federal reserves for the first time under the provisions of the Monetary Control Act of 1980.

Enclosed is a copy of the text of the amendment to Regulation D, which has been reprinted from the *Federal Register*. Questions regarding this matter may be directed to our Consumer Affairs and Bank Regulations Department (Tel. No. (212) 791-5914).

ANTHONY M. SOLOMON,
President.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS

AMENDMENT TO REGULATION D

(effective December 18, 1981)

12 CFR Part 204

[Reg. D; Docket No. R-0373]

Reserve Requirements of Depository Institutions; Hawaiian Depository Institutions

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final rule.

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 all depository institutions that maintain transaction accounts or nonpersonal time deposits. Under the amendment, all depository institutions with offices in Hawaii that were brought under federal reserve requirements for the first time by the Monetary Control Act of 1980 (Title I of Pub. L. No. 96-221, 94 Stat. 132 (1980)), will be accorded the same five year exemption from reserve requirements to which state chartered nonmember institutions whose principal offices are located in Hawaii are entitled. The exemption applies only to deposits held or maintained at offices located in Hawaii.

EFFECTIVE DATE: December 18, 1981.

FOR FURTHER INFORMATION CONTACT:

Gilbert T. Schwartz, Associate General Counsel (202/452-3625), Paul S. Pilecki, Senior Attorney (202/452-3281), or Joseph R. Alexander, Attorney (202/452-2489), Legal Division, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

SUPPLEMENTARY INFORMATION: Section 19(b)(8)(E) of the Federal Reserve Act, as amended by section 103 of the Monetary Control Act of 1980, 12 U.S.C. 461(b)(8)(E), provided that any depository institution engaged in business on August 1, 1978, organized under the laws of a state outside the

continental United States (i.e. Hawaii), the principal office of which has been located in Hawaii since August 1, 1978, would not be required to begin maintaining reserves until 1986, and thereafter would be phased in to full reserve requirements over an eight year period. Section 204.4(f) of Regulation D, 12 CFR 204.4(f), as adopted by the Board on August 15, 1980, implemented this provision of the statute.

In October 1980, the Board, responding to a request by federally chartered thrift institutions operating in Hawaii and two thrifts chartered under Utah law with branch offices operating in Hawaii, waived reserve requirements for nonmember depository institutions in Hawaii that were required to maintain federal reserves for the first time by the Monetary Control Act. The purpose of this waiver was to provide affected institutions temporary relief while they sought a legislative solution to the apparent inequitable treatment of certain Hawaiian depository institutions in the Monetary Control Act. The initial period of the waiver was six months. In April 1981, the Board extended this waiver until December 31, 1981.

Legislative relief was provided under section 385 of the Omnibus Budget Reconciliation Act, Pub. L. No. 97-35, 95 Stat. 357 (1981), which amends section 19(b) of the Federal Reserve Act. The provision gives all depository institutions with offices in Hawaii brought under reserve requirements for the first time by the Monetary Control Act the same five-year exemption now given to state-chartered nonmember institutions in Hawaii, although only deposits that are actually held or maintained in Hawaii are covered by the special exemption. In addition, member banks and former member banks continue to be subject to full reserve requirements in the same manner as other member banks. Accordingly, the Board is amending

For this Regulation to be complete retain:

- 1) Printed Regulation pamphlet dated November 13, 1980.
- 2) Supplement slip sheet date August 1980.
- 3) Amendments effective November 13, December 1, December 11, 1980; and January 15, April 30, May 14, November 19, and December 3, 1981.
- 4) This slip sheet.

Regulation D so that the regulation will conform to the amended statute.

Because the amendment will recognize an exemption that is provided by statute and because the Board believes that this amendment will result in a more even application of reserve requirements on depository institutions doing business in Hawaii, the Board, for good cause, finds that the notice and public comment procedures provided by 5 U.S.C. 553(b) with regard to this action are contrary to the public interest.

Effective December 18, 1981, pursuant to the Board's authority under section 19(b) of the Federal Reserve Act, 12 U.S.C. 461(b), Regulation D, 12 CFR Part 204, is amended as follows:

PART 204—RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS

In § 204.4, paragraph (f) is revised to read as follows:

§ 204.4 Transitional adjustments.

* * * * *

(f) *Nonmember depository institutions with offices in Hawaii.* Any depository institution that, on August 1, 1978, (1) was engaged in business as a depository institution in Hawaii, and (2) was not a member of the Federal Reserve System at any time on or after such date shall not maintain reserves imposed under this part against deposits held or maintained at its offices located in Hawaii until January 2, 1986. Beginning January 2, 1986, the required reserves on deposits held or maintained at offices located in Hawaii of such a depository institution shall be determined by reducing the amount of required reserves under § 204.3 in accordance with the following schedule:

Maintenance periods occurring between	Percentage that computed reserves will be reduced
Jan. 2 to Dec. 31, 1986.....	87.5
Jan. 1, 1987 to Jan. 6, 1988.....	75
Jan. 7, 1988 to Jan. 4, 1989.....	62.5
Jan. 5, 1989 to Jan. 3, 1990.....	50
Jan. 4, 1990 to Jan. 2, 1991.....	37.5
Jan. 3, 1991 to Jan. 1, 1992.....	25
Jan. 2, 1992 to Jan. 6, 1993.....	12.5
Jan. 7, 1993 forward.....	0

By order of the Board of Governors of the Federal Reserve System, November 20, 1981.

William W. Wiles,

Secretary of the Board.