

St. Cir. No. 9484
May 11, 1983

To the Addressee:

In our Circular No. 9484, dated April 26, 1983, we announced the adoption by the Board of Governors of the Federal Reserve System of an amendment, effective April 28, 1983, to its Regulation D, "Reserves of Depository Institutions," designed to reduce the deposit reporting burden for small institutions. A copy of the text of that amendment, which has been reprinted from the Federal Register of April 22, is enclosed for your binder.

Circulars Division
FEDERAL RESERVE BANK OF NEW YORK

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

AMENDMENTS TO REGULATION D

(effective April 28, 1983)

REPORTING REQUIREMENTS

FEDERAL RESERVE SYSTEM

12 CFR Part 204

[Docket No. R-0459]

Regulation D; Reserve Requirements of Depository Institutions; Reporting Requirements

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final rule.

SUMMARY: The Board of Governors adopted in final form amendments to Regulation D—Reserve Requirements of Depository Institutions (12 CFR Part 204) to reduce substantially the amount of reporting required from most depository institutions that have total reservable liabilities of \$2.1 million or less. Such institutions generally will be required to submit either a six item report each calendar quarter, a two item report once each year, or no report at all, depending upon their total deposit levels. Currently, these institutions that have not previously been deferred from reporting requirements submit a report of at least 22 items either weekly or quarterly. The Board proposed this rule for public comment on March 10, 1983. Comments from the public generally

avored adoption of the rule and the reporting procedures in the form proposed. The final rule is substantially identical to the proposed rule.

EFFECTIVE DATE: April 28, 1983.

FOR FURTHER INFORMATION CONTACT: Gilbert T. Schwartz, Associate General Counsel (202/452-3625); Paul S. Pilecki, Senior Counsel (202/452-3281); or Robert G. Ballen, Attorney (202/452-3265), Legal Division; or Cynthia A. Glassman, Section Chief (202/452-3829), Division of Research and Statistics; Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

SUPPLEMENTARY INFORMATION: Section 102 of the Monetary Control Act (Title I of Pub. L. 96-221) ("MCA") authorizes the Board to require reports from any depository institution as the Board may deem necessary or desirable to discharge its responsibility to monitor and control monetary and credit aggregates. In this regard, the Board is permitted to classify depository institutions and impose different reporting requirements on each class (section 11(a) of the Federal Reserve Act, 12 U.S.C. 248(a)).

Section 411 of the Garn-St Germain Depository Institutions Act of 1982 (Pub.

L. 97-320; 96 Stat. 1520) ("Act"), which was approved on October 15, 1982, provides that a reserve requirement of zero percent shall apply to reservable liabilities of \$2 million or less for each depository institution. The Act also requires that, consistent with the Board's responsibility to monitor and control monetary and credit aggregates, depository institutions with reservable liabilities of \$2 million or less are to be subject to less overall reporting requirements than depository institutions that have total reservable liabilities greater than \$2 million. The Board also is required to minimize the reporting necessary to determine whether depository institutions have total reservable liabilities of \$2 million or less. This \$2 million exemption amount is to be adjusted each year for the next succeeding calendar year by 80 per cent of the percentage increase in the total reservable liabilities of all depository institutions, measured on an annual basis as of June 30. No corresponding adjustment is to be made in the event of a decrease in total reservable liabilities of all depository institutions (12 U.S.C. 461(b)(11)). The Board has adjusted this \$2 million figure to \$2.1 million for 1983 in accordance with the Act.

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For this Regulation to be complete, retain:

- 1) Regulation D pamphlet, amended effective December 31, 1981.
- 2) Amendments effective April 28, 1982, April 29, 1982, September 1, 1982, October 28, 1982, December 9, 1982, December 14, 1982, December 30, 1982, December 31, 1982, January 5, 1983, January 13, 1983, March 31, 1983, and February 2, 1984.
- 3) This slip sheet.

[Ref. Cir. No. 9484]

The Board, on March 10, 1983, proposed for public comment a reporting plan that would reduce substantially the reporting required from most depository institutions that have total reservable liabilities of \$2.1 million or less (48 FR 10796; March 14, 1983). Under current Regulation D, depository institutions that have not been deferred from deposit reporting and reserve maintenance requirements¹ submit a 22 item report (Report on Transaction Accounts, Other Deposits and Vault Cash—FR 2900) and a supplement to that report (FR 2900s) either quarterly (if total deposits are less than \$15 million) or weekly (if total deposits are \$15 million or more) (12 CFR 204.3 (a) and (d)).² Under the Board's proposal, a depository institution with total reservable liabilities of \$2.1 million or less,³ with certain exceptions, would be required to submit either a six item report quarterly, a two item report annually, or no report at all, depending upon its level of total deposits.

The Board received a total of 58 comments from the public, primarily from depository institutions and their trade groups. A substantial proportion (over 70 percent) of the comments expressed support for the Board's proposal without suggestion for modification. Many of these commenters noted that significant cost savings would result from implementation of the proposal. The remaining commenters generally supported the proposal but suggested certain modifications, including: reducing reporting requirements for certain depository institutions with more than \$2.1 million in total reservable liabilities; exempting depository institutions with less than \$2 million in reservable liabilities from all reporting requirements; raising the cutoff level of \$15 million in total deposits between weekly, quarterly, and annual reporters to a higher amount such as \$25 or \$50 million, or eliminating the limit entirely; and making the ongoing adjustments of reporting categories more frequently than once per year.

These suggestions raise issues concerning whether reporting frequency

would be sufficient to determine compliance by individual institutions with reserve requirements and whether the Board would be receiving adequate information to monitor and control the monetary aggregates. For example, it was suggested that annual reporting could apply to certain depository institutions with more than \$2.1 million in reservable liabilities. However, since such institutions are not exempt from reserve requirements, the reporting of additional information from institutions with more than \$2.1 million in reservable liabilities is necessary to assure compliance with reserve requirements. Similarly, without occasional reporting from institutions whose total deposits have approached or are above \$2 million, the Federal Reserve would be unable to determine whether or not an institution's level of reservable liabilities remains at or below \$2.1 million, thereby maintaining its status as fully exempt from reserve requirements and could allow a number of institutions that should be maintaining reserves to avoid reserve requirements. In addition, since many depository institutions with less than \$2.1 million in reservable liabilities have far in excess of that amount of total deposits, an exemption from reporting for such institutions would impair to an unacceptable extent the quality of information obtained for monetary policy purposes.

With respect to raising other cutoff levels between annual, quarterly and weekly reporters, the Board notes that these amounts had been subject to extensive review and believes that the cutoffs are appropriate in view of the need for information for monetary policy purposes. However, the Board will review periodically the various cutoff levels taking into account experience with the reporting procedures regarding reporting burden versus monetary policy considerations.

Several suggestions were made concerning possible modifications to the procedures for ongoing panel adjustments for more frequent ongoing category adjustments so that aberrations on reporting dates would not lock the depository institution into a reporting category that may not reflect its actual deposit history. The Board believes that more frequent panel monitoring than proposed would greatly complicate panel maintenance and would likely lead to errors in measuring the monetary aggregates. The Board notes that panel maintenance procedures also will be reviewed in the future to determine if any institutions

had been disadvantaged and consider whether any modifications are appropriate.

After consideration of the comments received, the Board has determined that the plan as proposed for public comment represents the appropriate balance between reducing reporting requirements for smaller depository institutions and obtaining sufficient information to ensure compliance with reserve requirements and to adequately construct, analyze, and control the monetary aggregates. Accordingly, the Board has adopted the reporting plan proposed for public comment as a final rule.

Reporting categories. The following five categories of reporting will be instituted: First, depository institutions with more than \$2.1 million in total reservable liabilities and \$15 million or more in total deposits will be required to submit form FR 2900 weekly, as under current procedures.⁴ Second, institutions with more than \$2.1 million in total reservable liabilities and less than \$15 million in total deposits will be required to submit form FR 2900 quarterly. Third, institutions with \$2.1 million or less in total reservable liabilities and \$15 million or more in total deposits will be required to submit a six item report FR 2910q quarterly. All institutions that are required to report quarterly (either form FR 2900 or FR 2910q) shall file this report once each June, September, December, and March for the seven day period that begins on the third Thursday of the given month.⁵ Fourth, institutions with \$2.1 million or less in total reservable liabilities and \$2 million or more but less than \$15 million in total deposits will be required to submit a two item report (FR 2910a) annually. These institutions are to file this report as of a single day in June that corresponds to the last day of the seven day period for quarterly reporters. Fifth, institutions with less than \$2 million in total deposits will not be required to submit any report if their total deposits or estimates thereof can be derived by the Federal Reserve from existing available sources of data such as Reports of Condition filed with a federal supervisory agency or reports filed with state regulators.⁶ Once a year (including

¹ The Board previously had deferred most nonmember depository institutions, other than Edge and Agreement Corporations and U.S. branches and agencies of foreign banks, with less than \$2 million in total deposits as of December 31, 1979, from deposit reporting and reserve maintenance requirements.

² Any institution that obtains funds from foreign sources or that has foreign branches must also submit a five item Report of Certain Eurocurrency Transactions (FR 2950/FR 2951).

³ This \$2.1 million amount will be adjusted annually in accordance with section 411 of the Garn-St Germain Act.

⁴ At the same time, the FR 2900 will be revised to incorporate items from the supplement (FR 2900s). The supplement will then be discontinued.

⁵ After the implementation of contemporaneous reserve requirements on February 2, 1984, this seven day computation period will begin on the third Tuesday of the given month.

⁶ A special filing of the FR 2910a would be required of institutions for which no data sources exist, and therefore whose deposit sizes are unknown. If they report less than \$2 million in total deposits, they need not report reservable liabilities.

1983), a depository institution may elect to report deposits and maintain reserves—as of the relevant reporting date in September—in accordance with any category requiring a more comprehensive form or the same form filed on a more frequent basis than required of the category in which the institution would otherwise be placed.

Institutions with \$2.1 million or less in reservable liabilities that are not required to file the FR 2900 will not be required to submit a Report of Certain Eurocurrency Transactions (FR 2950). However, all institutions required to file the FR 2900 will continue to report Eurocurrency liabilities as under current procedures.

Initial determination of applicable category. Reserve Banks will determine the initial placement of institutions in the appropriate categories and so inform the institutions. The determinations will be made as follows: For an institution currently filing the FR 2900 weekly, if the institution's total reservable liabilities are more than \$2.1 million for any one of the last 13 reserve computation periods of 1982, that institution will continue to submit the FR 2900, either weekly or quarterly, depending on the largest level of total deposits reported during these same 13 weeks. If an institution's total reservable liabilities are \$2.1 million or less for each of these 13 weeks, the applicable reporting category (FR 2910q, FR 2910a, or no report at all) will be determined based upon the institution's largest level of total deposits reported during these same 13 computation periods. For an institution currently filing the FR 2900 quarterly, if the institution's total reservable liabilities are more than \$2.1 million on either of the last two reports filed in 1982, then the institution must continue to submit the FR 2900. For purposes of determining quarterly or weekly FR 2900 reporting for an institution currently filing the FR 2900 quarterly, total deposits are based on the largest of the institution's last two deposit reports of 1982. If the institution's total reservable liabilities are \$2.1 million or less for each of these two reports, the applicable reporting category also will be determined based upon the institution's largest report of total deposits for the last two deposit reports of 1982.

Depository institutions that currently report the FR 2900, but that did not begin reporting until after December 29, 1982, will be treated as follows: For such institutions currently reporting the FR 2900 on a quarterly basis, the procedures for the initial placement of

quarterly FR 2900 reporters will be used; however, the particular category into which the institution will be placed will be based upon the institution's daily average total reservable liabilities and total deposits as reported on its one quarterly FR 2900 report submitted in 1983 (i.e. in January, February, or March). For any such institution currently reporting the FR 2900 on a weekly basis, the procedures for the initial placement of weekly FR 2900 reporters will be used; however, the particular category into which the institution will be placed will be based upon the institution's daily average total reservable liabilities and total deposits as reported for each week during 1983 for which the institution submitted the FR 2900.

For depository institutions that currently do not file the FR 2900 weekly or quarterly, the applicable category will be determined from information derived from Reports of Condition submitted to federal supervisory agencies. If no such reports are available, this information will be derived from other sources such as reports filed with state regulators. If the requisite information cannot be derived from any such sources, then the institution will be expected to submit in June 1983 the FR 2910a or FR 2910q as appropriate. The appropriate category for the institution will then be determined from the submitted report.

Institutions with \$2.1 million or less in reservable liabilities that currently submit the FR 2900 weekly or quarterly will continue to report under current procedures through the week ending April 27, 1983, at which time they will be relieved of reporting under current procedures. All institutions will begin reporting under the new procedures as of the appropriate reporting date for the institution's category in June 1983 as described above.

Ongoing category adjustment. The Reserve Banks will determine the placement of institutions in the appropriate category and so inform the institutions. Movement to another category on an ongoing basis, beginning in 1984, will be determined as follows: An institution submitting the FR 2900 weekly will move to another category if, on the 13 reports ending the last full reporting week of June of a given year, the institution qualified for a different category under criteria described above for initial determinations. This institution will continue to submit the FR 2900 on a weekly basis until the reporting period that begins on the second or third Tuesday in September of that year depending on which is the first

week of a reserve computation period under contemporaneous reserve requirements. An institution filing the FR 2900 quarterly or the FR 2910q will move to another category if on the two reports submitted as of March and June of a given year the institution qualified for a different category under the criteria described above for initial determinations. An institution submitting the FR 2910a will move to another category if on the June report of a given year the institution qualified for a different category. Institutions not reporting previously may be asked to submit the FR 2910a for the first time as of that June in order to determine their appropriate reporting category. In all circumstances, the Board may require any depository institution that is experiencing above-normal growth to report on the FR 2900 weekly prior to the annual determination of reporting status.

An institution that is reclassified into the category requiring the FR 2900 on a weekly basis will submit the FR 2900 weekly starting with the weekly reporting period that begins on the second or third Tuesday in September depending on which is the first week of a computation period under contemporaneous reserve requirements. An institution that is reclassified into a category requiring quarterly reports—either the FR 2900 on a quarterly basis or the FR 2910q—will submit the appropriate quarterly report starting with the September reporting date. An institution that is reclassified (on the basis of information through June) into the category requiring the FR 2910a annual report will submit the FR 2910a as of June of the following year.

Exception to the revised reporting procedures. The reporting procedures described above will not apply to Edge and Agreement Corporations and U.S. branches and agencies of foreign banks. These institutions will continue to report weekly as under current procedures. The continuation of the present reporting procedures for these institutions is consistent with the Board's responsibility to monitor and control monetary and credit aggregates in view of the nature of the liabilities of these institutions and the opportunities available to these institutions for the avoidance of reserve requirements. The Board also noted its broad supervisory authority over, including the authority to obtain reports from, Edge and Agreement Corporations pursuant to 12 U.S.C. 601 *et. seq.* and 611 *et. seq.* and the specification in the International Banking Act of 1978 that U.S. branches

and agencies be subject to the same reporting requirements as similarly situated member banks (12 U.S.C. 3105(a)). In this regard, U.S. branches and agencies, as parts of much larger institutions, should be viewed as similarly situated to large member banks that are required to report weekly under the proposal.

The reduced reporting requirements will not apply before February 2, 1984, to those member banks and former member banks that are subject to reserve requirements pursuant to the reserve requirement structure in effect prior to the passage of the Monetary Control Act of 1980 ("MCA"). These institutions will continue to report under current procedures even if they hold reservable liabilities of \$2.1 million or less until the completion of the phase-in of reserve requirements of the MCA (currently scheduled for February 2, 1984), at which time the revised reporting requirements will be applied. Member banks and former member banks with \$2.1 million or less in reservable liabilities are required under the MCA to maintain reserve requirements until completion of this phase-in (12 U.S.C. 461(b)(8)). The information that these institutions currently are reporting is necessary to continue to calculate these reserve requirements and to administer properly the phase-in of reserve requirements mandated by the MCA.

Effect on prior amendments and small entities. The Board is amending Regulation D to provide that depository institutions will report in accordance with the procedures described above. These procedures will remain in effect after the October 5, 1982 amendments to implement contemporaneous reserve requirements become effective on February 2, 1984.

The impact of these procedures on small entities has been considered in accordance with section 604 of the Regulatory Flexibility Act (Pub. L. 96-354; 5 U.S.C. 604). As described above, these procedures will reduce significantly the recordkeeping and reporting requirements imposed upon small depository institutions. The Board estimates that these procedures will reduce the net reporting burden of depository institutions by approximately 600,000 hours.

These amendments are being made effective in less than 30 days because they relieve a restriction by providing for a reduced reporting burden for depository institutions.

List of Subjects in 12 CFR Part 204

Banks, banking, Currency, Federal Reserve System, Penalties, Reporting requirements.

Pursuant to its authority under sections 11(a), 19, 25, and 25(a) of the Federal Reserve Act (12 U.S.C. 248(a), 461, 601 *et seq.*, 611 *et seq.*) and under section 7 of the International Banking Act of 1978 (12 U.S.C. 3105), the Board amends § 204.3 of Regulation D (12 CFR Part 204), effective April 28, 1983, as follows:

PART 204—[AMENDED]

1. By amending §204.3(c) by removing the first sentence, "*Computation of required reserves.*," and inserting in its place, "*Computation of required reserves for institutions that report on a weekly basis.*"; and by revising the introductory text of paragraph (a) and paragraph (d) (in its entirety) as set forth below.

§ 204.3 Computation and maintenance.

(a) *Maintenance of required reserves.* A depository institution, a U.S. branch or agency of a foreign bank, and an Edge or Agreement Corporation shall maintain reserves against its deposits and Eurocurrency liabilities in accordance with the procedures prescribed in this section and § 204.4 and the ratios prescribed in § 204.9. Penalties shall be assessed for deficiencies in required reserves in accordance with the provisions of § 204.7. Every depository institution, U.S. branch or agency of a foreign bank, and Edge or Agreement Corporation shall file reports of deposits in accordance with the instructions of the Board, based on the level of its deposits and reservable liabilities consistent with the Board's need for data to carry out its responsibility to monitor and control monetary and credit aggregates. For purposes of this part, the obligations of a majority owned (50% or more) U.S. subsidiary (except an Edge or Agreement Corporation) of a depository institution shall be regarded as obligations of the parent depository institution.

(d) *Computation of required reserves for institutions that report on a quarterly basis.* For a depository institution that is permitted to report quarterly, required reserves are computed on the basis of the depository institution's daily average deposit balances during a seven-day computation period that begins on the

third Thursday of March, June, September, and December. In determining the reserve balance that such a depository institution is required to maintain with the Federal Reserve, the average daily vault cash held during the computation period is deducted from the amount of the institution's required reserves. The reserve balance that is required to be maintained with the Federal Reserve shall be maintained during a corresponding period that begins on the fourth Thursday following the end of the institution's computation period and ends on the third Wednesday after the close of the institution's next computation period. Such reserve balance shall be maintained in the amount required on a daily average basis during each week of the quarterly reserve maintenance period.

2. The Board also amends § 204.3(c), published at 47 FR 44707, October 12, 1982, to become effective February 2, 1984, by removing the first sentence, "*Computation of required reserves.*," and inserting in its place, "*Computation of required reserves for institutions that report on a weekly basis.*"; and by revising § 204.3(d), also published at 47 FR 44707, to become effective February 2, 1984, as set forth below:

(d) *Computation of required reserves for institutions that report on a quarterly basis.* For a depository institution that is permitted to report quarterly, required reserves are computed on the basis of the depository institution's daily average deposit balances during a seven-day computation period that begins on the third Tuesday of March, June, September, and December. In determining the reserve balance that such a depository institution is required to maintain with the Federal Reserve, the daily average vault cash held during the computation period is deducted from the amount of the institution's required reserves. The reserve balance that is required to be maintained with the Federal Reserve shall be maintained during a corresponding period that begins on the fourth Thursday following the end of the institution's computation period and ends on the fourth Wednesday after the close of the institution's next computation period.

By order of the Board of Governors, April 19, 1983.

William W. Wiles,
Secretary of the Board.

[FR Doc. 83-10827 Filed 4-21-83; 8:45 am]