

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. **9969**]
[December 13, 1985]

RESERVE REQUIREMENTS

Supplement to Regulation D, Effective December 31, 1985

*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:

The Federal Reserve Board has announced an increase in the amount of net transaction accounts to which the 3 percent reserve requirement will apply in 1986 from \$29.8 million to \$31.7 million. The Board also increased the amount of reservable liabilities in depository institutions that are subject to a zero percentage reserve requirement from \$2.4 million to \$2.6 million.

These adjustments take effect beginning December 31, 1985.

The Board made the changes in accordance with provisions of the Monetary Control Act. The Act requires the Board to amend its Regulation D — Reserve Requirements of Depository Institutions — annually to increase the amount of transaction accounts subject to a 3 percent reserve requirement. The annual adjustment must be 80 percent of the annual percentage increase in transaction accounts held by all depository institutions. The growth in total net transaction accounts of all depository institutions from June 30, 1984 to June 30, 1985 was 8.1 percent. The statutory rule thus requires an increase of \$1.9 million over last year's amount to \$31.7 million.

The Board is required by the Garn-St Germain Depository Institutions Act of 1982 to amend Regulation D to adjust the amount exempt from reserve requirements for the upcoming year by 80 percent of the annual percentage increase in total reservable liabilities. Growth in total reservable liabilities was 9.1 percent from June 30, 1984 to June 30, 1985, requiring an increase in the reserve requirement exemption to \$2.6 million.

The Board will also change the basis of the reporting cut off level (currently \$25 million in total deposits) which is used to separate weekly reporters from quarterly reporters. The new basis will be indexed to 80 percent of the annual percentage increase in total deposits and other reservable liabilities. The annual adjustment of this basis will be computed as of June 30 of each year.

In its official notice of the changes, the Board also stated, with respect to the effective date:

The tranche adjustment and the reservable liabilities exemption adjustment for weekly reporting institutions will be effective starting with the reserve computation period beginning on December 31, 1985, and with the corresponding reserve maintenance periods beginning January 2, 1986, for net transaction accounts, and on January 30, 1986, for other

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reservable liabilities. For institutions that report quarterly, the tranche adjustment and the exemption will be effective with the computation period beginning on December 17, 1985, and with the reserve maintenance period beginning January 16, 1986. In addition, all entities currently submitting Form FR 2900 will continue to submit reports to the Federal Reserve under current reporting procedures.

Enclosed is a copy of a revised Supplement to Regulation D, reflecting the Board's action. The full text of the Board's official notice will be published in the *Federal Register*; copies will be furnished upon request directed to our Circulars Division (Tel. No. 212-791-5216). Questions regarding Regulation D may be directed to the following:

Reporting Requirements:

Richard J. Gelson, Vice President (Tel. No. 212-791-8225)
Nancy Bercovici, Manager, Statistics Department (Tel. No. 212-791-8227)
Elaine D. Mauriello, Chief, Deposit Reports Division (Tel. No. 212-791-8590)

Maintenance Requirements:

Leon R. Holmes, Assistant Vice President (Tel. No. 212-791-7768)
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Interpretation of Regulation D:

Joyce E. Motylewski, Assistant Counsel, Legal Department (Tel. No. 212-791-5024)
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E. GERALD CORRIGAN,
President.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

SUPPLEMENT TO REGULATION D

Reserve Requirement Ratios

Effective December 31, 1985, pursuant to the Board's authority under section 19 of the Federal Reserve Act, 12 U.S.C. § 461 *et seq.*, 12 CFR Part 204 is amended by revising paragraph (a) of section 204.9 to read as follows:

SECTION 204.9 — RESERVE REQUIREMENT RATIOS

(a)(1) *Reserve percentages.* The following reserve ratios are prescribed for all depository institutions, Edge and Agreement Corporations, and United States branches and agencies of foreign banks:

<i>CATEGORY</i>	<i>RESERVE REQUIREMENT</i>
<i>Net transaction accounts</i>	
\$0 to \$31.7 million	3% of amount
Over \$31.7 million	\$951,000 plus 12% of amount over \$31.7 million
<i>Nonpersonal time deposits</i>	
By original maturity (or notice period):	
Less than 1½ years	3%
1½ years or more	0%
<i>Eurocurrency liabilities</i>	3%

(2) *Exemption from reserve requirements.* Each depository institution, Edge or Agreement Corporation, and U.S. branch or agency of a foreign bank is subject to a zero percent reserve requirement on an amount of its transaction accounts subject to the low reserve tranche in paragraph (a)(1), nonpersonal time deposits, or Eurocurrency liabilities or any combination thereof not in excess of \$2.6 million determined in accordance with section 204.3(a)(3) of this Part.