FEDERAL RESERVE BANK
OF NEW YORK

At-Cir No. 10,016(a)

March 19, 1986

Changes in the Calculation of Required Reserves

*To All Depository Institutions
in the Second Federal Reserve District:*

This is in regard to the recent changes in Regulation D — Reserve Requirements of Depository Institutions — that affect the calculation of required reserves.

The first such change applies to nonmember institutions that are phasing in reserve requirements under Section 204.4(a) of Regulation D but that currently are maintaining full reserves against nonpersonal Money Market Deposit Accounts (MMDAs). Under the revised Regulation D, nonpersonal MMDA-type deposits at these institutions will be subject to the phase-in schedules for reserve requirements rather than to full reserve requirements. Thus, there will be a reduction in the required reserves of these institutions.

For weekly reporters, this change will be effective as of the 14-day computation period beginning Tuesday, March 25. Reserves on nonpersonal MMDAs as of this computation period will be held as of the 14-day maintenance period beginning Thursday, April 24. For quarterly reporters, the change will be effective as of the seven-day reporting, or computation, period beginning Tuesday, March 18, with the corresponding maintenance period beginning Thursday, April 17.

The second change in the calculation of required reserves concerns the order of the various deposit categories to which the reserve requirement exemption is applied. (The exemption, currently $2.6 million, is applied as of a single computation period.) For most depository institutions, the exemption currently is applied to deposit categories in the following order:

1. Nonpersonal MMDAs.
2. Net transaction accounts.
3. Other nonpersonal savings deposits and nonpersonal time deposits with an original maturity of less than 1-½ years.
4. Reservable Eurocurrency liabilities.

Under the revised procedures, however, the exemption will be applied to deposit categories in the following order at all depository institutions:

1. Net transaction accounts.
2. Total nonpersonal savings deposits (including MMDAs) and nonpersonal time deposits with an original maturity of less than 1-½ years.
3. Reservable Eurocurrency liabilities.

(OVER)

This change in the order of application of the exemption also will be effective as of the 14-day computation period beginning Tuesday, March 25, for weekly reporters and as of the seven-day computation period beginning Tuesday, March 18, for quarterly reporters.

Please note that, for weekly respondents, the exemption will be applied first to a deposit category on which required reserves are held in the 14-day maintenance period beginning two days after the start of the computation period. This revised ordering is in contrast to the previous ordering, where the exemption was applied first to a deposit category on which required reserves were held in the 14-day maintenance period beginning 30 days after the start of the computation period. The transition to this change in ordering affects the two 14-day maintenance periods beginning Thursday, March 27, and Thursday, April 10. The current $2.6 million exemption amount for any one computation period also will represent an upper limit to the amount of exemption that can be used in each of those two reserve maintenance periods. Any adjustment that is needed to meet this upper limit of $2.6 million will be made by shifting the appropriate amount of net transaction accounts as of the relevant computation period from an exempt to a nonexempt status for the calculation of required reserves.

For those depository institutions that allocate the $2.6 million exemption among offices, the upper limit for each such office will be the amount of exemption currently allocated to that office.

If you have any questions or need additional information, please contact Donald R. Anderson, Manager, Accounting Department, at our Head Office (Tel. No. 212-791-5250), or Gary S. Weintraub, Cashier, at our Buffalo Branch (Tel. No. 716-849-5020).

Ralph A. Cann, III,
Vice President.