

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. **10198**]
October 21, 1987]

REPORTING AND MAINTENANCE OF RESERVES

Revision of Operating Circulars Nos. 2 and 2A

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

Enclosed are copies of this Bank's Operating Circulars No. 2, "Reserve Reporting and Maintenance," and No. 2A, "Pass-Through Reserve Balances," both revised October 13, 1987. The operating circulars have been revised to incorporate current provisions governing the reporting and maintenance of required reserves under the Federal Reserve Contemporaneous Reserve Requirements program and to update the terms for pass-through reserve balances maintained by Pass-Through Correspondents.

Questions regarding these operating circulars may be directed, at our Head Office, to Anthony Fressola, Chief, Accounting Control Division (Tel. No. 212-720-5803), or, at our Buffalo Branch, to Philip G. Coletti, Chief, Central Operations Division (Tel. No. 716-849-5064).

E. GERALD CORRIGAN,
President.

**FEDERAL RESERVE BANK
OF NEW YORK**

[**Operating Circular No. 2**
Revised October 13, 1987]

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 *Reserve and Clearing Balance Maintenance Manual*, a copy of which may be obtained from the Accounting Control Division of this Bank.

Terms issued in this operating circular will have the same meanings given them in the Monetary Control Act of 1980 and in Regulation D of the Board of Governors of the Federal Reserve System, unless otherwise indicated.

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 deposit and other accounts in ratios determined by the Board of Governors.

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.

Reports of deposits, other reservable liabilities, and vault cash

3. Institutions with transaction accounts, time deposits, or Eurocurrency liabilities are required to file reports with this Bank. The reports to be filed, using forms provided by this Bank, may include one or more of the following:

- FR2900 - "Report of Transaction Accounts, Other Deposits and Vault Cash"
- FR2950 - "Report of Certain Eurocurrency Liabilities" (for domestic depository institutions)
- FR2951 - "Report of Certain Eurocurrency Liabilities" (for U.S. agencies and branches of foreign banks)
- FR2910q - "Quarterly Report of Selected Deposits, Vault Cash, and Reservable Liabilities"
- FR2910a - "Annual Report of Total Deposits and Reservable Liabilities"

These reports are collectively referred to as "deposit reports" and serve to provide essential data for construction of the monetary aggregates as well as for reserve computation. Each institution has sole responsibility for the filing and accuracy of such deposit reports. Edge and Agreement corporations and U.S. branches and agencies of foreign banks are required to submit deposit reports on a weekly basis. The frequency with which other institutions must report is determined by the level of their total deposits and reservable liabilities. Such institutions must submit deposit reports in accordance with the schedule provided in the appendix to this operating circular.

4. Weekly deposit reports should reflect balances at the close of business each day during the seven-day reporting period beginning on a Tuesday and ending on the following Monday. Institutions required to report should deliver their completed forms to the Deposit Reports Division of this Bank by 12 noon on the Wednesday following the Monday close of each reporting week.

5. Institutions required to report quarterly on FR 2900 must file deposit reports for a seven-day computation period that begins on the third Tuesday of March, June, September, and December. These reports should be delivered to the Deposit Reports Division of this Bank by 12 noon on the Wednesday following the Monday close of each quarterly reporting week.

6. Institutions required to report quarterly on the "Quarterly Report of Selected Deposits, Vault Cash, and Reservable Liabilities" (FR 2910q) should submit this report each March, June, September, and December for the seven-day period that begins on the third Tuesday of the given month and ends the following Monday. Institutions required to file the "Annual Report of Total Deposits and Reservable Liabilities" (FR 2910a) should submit this report as of Monday following the third Tuesday in June. Institutions eligible to file the FR 2910q or the FR 2910a report are not required to maintain reserves.

Determination of required reserves for weekly reporters

7. Required reserves for a weekly reporter are maintained over a two week maintenance period that begins on a Thursday and ends on the second Wednesday thereafter. Requirements are based on data from two different 14-day computation periods—a “contemporaneous” period and a “lagged” period. Each computation period is composed of two consecutive reporting weeks, each of which begins on a Tuesday and ends on the following Monday. Thus, a computation period consists of 14 consecutive days beginning on a Tuesday and ending on the second Monday thereafter. The contemporaneous computation period begins on the Tuesday two days prior to the start of the maintenance period and ends on the Monday two days prior to the end of the maintenance period. The lagged computation period begins on the Tuesday 16 days prior to the start of the maintenance period and ends on the Monday 16 days prior to the end of the maintenance period. Reserve requirements are computed by applying the ratios prescribed in the current supplement to Regulation D. For transaction accounts, these ratios are applied to data from the contemporaneous computation period; for non-transaction liabilities and Eurocurrency liabilities, these ratios are applied to data from the lagged computation period.

Determination of required reserves for quarterly reporters

8. Required reserves for a quarterly reporter are based on data from a seven-day computation period. The seven-day computation period begins on the third Tuesday of March, June, September, and December. Deposits reported during this week determine the reserves to be maintained during the 13 consecutive seven-day maintenance periods that begin on Thursday, 24 days after the end of the computation period.

Report of required reserves for weekly reporters

9. The generation of reports of required reserves by a Reserve Bank is dependent upon the timely submission of deposit reports by depository institutions to the Reserve Bank. For each maintenance period, a Preliminary, Interim and Final Report of Required Reserves will be generated for institutions submitting weekly deposit reports.

10. The “Preliminary Report of Required Reserves” is available prior to the start of each maintenance period. The report indicates the actual reserve requirement on non-transaction accounts, i.e., nonpersonal time and savings deposits and Eurocurrency liabilities only.

11. The “Interim Report of Required Reserves”, which is available to depository institutions following receipt by the Reserve Bank of the deposit reports for the first week of the contemporaneous computation period, indicates

projected reserve requirements on transaction accounts, as well as actual requirements on non-transaction accounts.

12. The "Final Report of Required Reserves" is available after the end of each maintenance period, following receipt of deposit reports for the second week of the contemporaneous computation period. The final report indicates actual reserve requirements on both transaction and non-transaction accounts. Since receipt of final deposit reports by a Reserve Bank coincides with the end of the maintenance period, it is essential that weekly reporters have the ability and flexibility to supplement whatever information is available from the Federal Reserve Bank to calculate their daily reserve positions independently of the Federal Reserve Bank.

Report of required reserves for quarterly reporters

13. A single "Report of Required Reserves" is provided to each quarterly reporter once each quarter following receipt by the Reserve Bank of deposit reports. This report reflects requirements for both transaction and non-transaction accounts.

Establishment of reserve and pass-through accounts

14. 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

15. Weekly reporting institutions are required to maintain reserves on their transaction account balances "contemporaneously," i.e., with a two-day lag, while reserve requirements on non-transaction account balances are to be met on a lagged basis. Balances are maintained on a daily average basis for the 14-day maintenance period that begins on a Thursday and ends at the close of business on the second Wednesday thereafter. Quarterly reporting institutions are required to maintain reserves for 13 seven-day periods that begin on the fourth Thursday following the end of their March, June, September, and December computation periods. Reserve balances may be affected by entries made to the institution's account at this Bank for various types of transactions. Our operating circulars should be consulted regarding the timing of such entries. Institutions maintaining reserves 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 19 of this operating circular.

Carryover of excess or deficient reserves

16. 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 the larger of two percent of required reserves or \$25,000. For further details on the carryover allowance, refer to the carryover section of the *Reserve and Clearing Balance Maintenance Manual*.

As-of adjustments

17. 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 correct the cumulative effect on an institution's reserve position of errors made either by Reserve Banks or by institutions.

Final position report

18. The "Final Position Report" provides an institution with its final position for a maintenance period. It indicates whether an institution's balance has been deficient or excess for the period after consideration of carryover. Therefore, it is not available until after the close of the subsequent maintenance period. If an institution's balance is deficient, the penalty amount and assessment date will appear on the bottom of the report. Final Position Reports will not be furnished to respondent institutions maintaining their reserves balances with a pass-through correspondent.

Penalties for reserve deficiencies and account overdrafts

19. Any institution not meeting its reserve requirement during a maintenance period will be subject to penalty in accordance with Section 204.7 of Regulation D. Penalties may be assessed for any reserve deficiencies remaining after the application of the carryover described in paragraph 16 of this operating circular. In accordance with Section 204.3(i)(4) of Regulation D, a pass-through correspondent will also be subject to penalty for any deficiency in its reserve account or separate pass-through account after the application of any carryover. The amount of the penalty is calculated by using an annual rate of two percent above the lowest discount rate in effect on the first day of the calendar month in which the deficiency occurs. 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. Negative

balances that result from Reserve Bank error are not considered to be overdrafts subject to monetary charge.

Verification of Reserve Bank reports

20. 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 the Reports of Required Reserves or the Final Position Report, the discrepancy should be reported immediately to the Account Maintenance Section of the Accounting Control Division at the Head Office (Telephone Number 212-720-5993), or to the Central Operations Division at the Buffalo Branch (Telephone Number 716-849-5064).

Worksheets for calculating reserve requirement

21. Worksheets designed to assist institutions in calculating and maintaining reserves are available from this Bank. Copies of the worksheets and instructions are included in the *Reserve and Clearing Balance Maintenance Manual*. The worksheets are for an institution's internal use and should not be filed with this Bank.

Revision of this circular

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

Effect of this circular on previous circular

23. This operating circular supersedes our Operating Circular No. 2, revised July 30, 1981.

E. GERALD CORRIGAN,
President.

APPENDIX
DEPOSIT REPORTING CATEGORIES¹
September 1987 through August 1988

<i>Level of total reservable liabilities</i>	<i>Level of total deposits</i>	<i>Reporting Frequency</i>	<i>Report forms to Be Submitted</i>
More than \$2.9 million	\$28.6 million or more	Weekly	FR 2900 FR 2950 ² FR 2951 ³
More than \$2.9 million	Less than \$28.6 million	Quarterly	FR 2900 FR 2950 ²
\$2.9 million or less	\$28.6 million or more	Quarterly	FR 2910q
\$2.9 million or less	\$2.9 million or more but less than \$28.6 million	Annually	FR 2910a
	Less than \$2.9 million	None	None

¹ Edge and Agreement Corporations and U.S. branches and agencies of foreign banks report weekly, regardless of size.

² Domestic depository institutions with Eurocurrency liabilities.

³ U.S. agencies and branches of foreign banks with Eurocurrency liabilities.

**FEDERAL RESERVE BANK
OF NEW YORK**

[**Operating Circular No. 2A**
Revised October 13, 1987]

PASS-THROUGH RESERVE BALANCES

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

General

1. This operating circular sets forth the terms for pass-through reserve balances maintained by Pass-Through Correspondents, including depository institutions subject to reserve requirements, Federal Home Loan Banks, the Central Liquidity Facility of the National Credit Union Administration, head or branch offices of an Edge or Agreement corporation, United States branches and agencies of foreign banks, or other authorized institutions, for respondents located in this Federal Reserve District, as provided in Section 204.3 of Regulation D of the Board of Governors of the Federal Reserve System.

2. A depository institution desiring to serve as a Pass-Through Correspondent for an institution located in another Federal Reserve District (a depository institution, a branch or agency of a foreign bank, or a head or branch office of an Edge or Agreement corporation) should directly contact the Federal Reserve Bank of the district in which the proposed respondent is located. This operating circular does not apply to such pass-through arrangements involving respondents located in other Federal Reserve Districts.

3. Terms used in this operating circular will have the same meanings given them in the Monetary Control Act of 1980 and in Regulation D of the Board of Governors, unless otherwise indicated.

Designation

4. A nonmember depository institution, a branch or agency of a foreign bank, or a head or branch office of an Edge or Agreement corporation located in the Second Federal Reserve District ("Respondent") may elect to maintain its required reserve balances with this Bank through a Pass-Through Correspondent by designating a Pass-Through Correspondent in a "Pass-Through Designation" letter in the form set forth in Exhibit I to this operating circular. The Pass-Through Correspondent designated in that letter must also complete that letter and forward it to us. The designation of a Pass-Through Correspondent will

become effective on the date specified by us in letters to the Pass-Through Correspondent and the Respondent acknowledging receipt of the designation.

5. If the Pass-Through Correspondent is located in the Second Federal Reserve District, it may elect to include its Respondents' pass-through reserve balances in its reserve account ("Reserve Account"), or may elect to establish at the office where it maintains its Reserve Account a separate pass-through account with this Bank in which to hold all reserve balances of only its Respondents located in this district ("Pass-Through Account"), in each case subject to the terms of this operating circular. If the Pass-Through Correspondent is located in another Federal Reserve District, it must establish a Pass-Through Account on our books. The procedures for opening a Pass-Through Account in the Second Federal Reserve District and the terms of the agreement for that account are set forth in our Operating Circular No. 7 for domestic depository institutions and Edge and Agreement corporations, and our Operating Circular No. 7A for foreign banks with a United States branch or agency.

6. The reserve balances of Respondents will be commingled in either the Pass-Through Correspondent's Reserve Account or Pass-Through Account. The balances in the Reserve Account or Pass-Through Account shall be deemed to be the property of the Pass-Through Correspondent and shall be subject to its sole order.

Maintenance of reserves

7. The Pass-Through Correspondent is responsible for maintaining a sufficient balance in its Reserve Account or Pass-Through Account to satisfy the reserve requirements of its Respondents. Any penalty for a deficiency in reserve balances will be imposed by this Bank on the Pass-Through Correspondent by debit to the Reserve Account, or Pass-Through Account, in which the deficiency occurs. The Pass-Through Correspondent may recoup any such penalty from a Respondent in accordance with any agreement between them. This Bank provides each Respondent institution in the Second Federal Reserve District with the reports of required reserves described in our Operating Circular No. 2. In addition, the Pass-Through Correspondent is furnished with a summary list of the balances to be maintained for its Respondents located in the Second Federal Reserve District. This list is generated three times for each maintenance period, to reflect the Respondents' preliminary, interim, and final requirements as described in Operating Circular No. 2. However, the summary list reflecting the Respondents' final requirements will not be available from this Bank until after the conclusion of the maintenance period. Therefore, it is essential that the Correspondent have the ability to supplement whatever information is available from this Bank to calculate its reserve requirement independently.

8. The Pass-Through Correspondent shall maintain and retain for a period

of at least two years records showing all transactions affecting the maintenance of reserve balances by each of its Respondents.

9. A Pass-Through Correspondent may use a Pass-Through Account only for transactions of Respondents.

10. Inquiries regarding the provision of services by this Bank directly to Respondents involving the use of the Reserve Account or the Pass-Through Account of its Pass-Through Correspondent should be addressed to the appropriate operating area of this Bank. A Respondent that maintains reserves with a Pass-Through Correspondent and desires direct access to this Bank's services may, with our prior approval, open a direct account with us for that purpose.

11. All wire transfers of funds or payments for wire transfers of securities from the Reserve Account or the Pass-Through Account must be made by the Pass-Through Correspondent and may not be made by a Respondent. All wire transfers of funds or securities to a Respondent not maintaining direct accounts with this Bank must be for the account of the Pass-Through Correspondent or other correspondent maintaining an account with this Bank and may designate that the transaction is for the benefit of the Respondent in the description portion of the transfer message.

12. A Respondent may terminate a Pass-Through Designation by delivering written notice of termination to our Accounting Department and its Pass-Through Correspondent. A Pass-Through Correspondent may terminate its designation by delivering written notice of termination to our Accounting Department and its Respondent. Unless otherwise specifically agreed to by this Bank, termination by either a Respondent or Pass-Through Correspondent will become effective at our close of business on the final day of the first maintenance period following the maintenance period in which the notice is received by this Bank. The Respondent may then open its own reserve account on our books or enter into another Pass-Through Designation. This Bank may terminate a Pass-Through Designation by issuing written notice of termination to the Respondent and its Pass-Through Correspondent. Such termination shall be effective when received by the Respondent or at such later date as is specified in the notice.

Revision of this circular

13. We reserve the right to amend this operating circular at any time but will endeavor to give 14 calendar days' prior written notice of any amendments.

Effect of this circular on previous circular

14. This operating circular supersedes Operating Circular No. 2A, dated October 14, 1980.

E. GERALD CORRIGAN,
President.

EXHIBIT I

PASS-THROUGH DESIGNATION LETTER

[Letterhead of Depository Institution]

[Federal Reserve Bank
of New York
33 Liberty Street
New York, New York 10045
Attention: Accounting Department]

or

[Buffalo Branch
Federal Reserve Bank of New York
160 Delaware Avenue
P.O. Box 961
Buffalo, New York 14240
Attention: Central Operations Division]

Gentlemen:

We designate as
our Pass-Through Correspondent.

.....
(Name of Depository Institution)

By:

Date:

We agree to act as Pass-Through Correspondent for the above-named depository institution. [That institution's reserve balances will be held in our reserve account on your books] *or* [That institution's balances will be held in our pass-through account on your books.]

.....
(Name of Pass-Through Correspondent)

By:

Date: