

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. **10497**]
December 9, 1991]

1992 RESERVE REQUIREMENT ADJUSTMENTS

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

The following statement has been issued by the Board of Governors of the Federal Reserve System:

The Federal Reserve Board has announced an increase from \$41.1 million to \$42.2 million in the net transaction accounts to which a 3 percent reserve requirement will apply in 1992.

The Board also changed from \$3.4 million to \$3.6 million the amount of reservable liabilities of each depository institution that is subject to a reserve requirement of zero percent.

Additionally, the Board increased from \$44.0 million to \$44.8 million the deposit cutoff level that is used in conjunction with the reservable liabilities exemption amount to determine the frequency of deposit reporting.

Enclosed — for depository institutions and others maintaining sets of Board regulations — is a revised Supplement to Regulation D, reflecting the Board's action. In addition, printed on the following pages is the text of the Board's official notice, which has been reprinted from the *Federal Register* of November 27.

Questions regarding Regulation D may be directed to the following:

Maintenance Requirements:

Donald R. Anderson, Manager, Accounting Department (Tel. No. 212-720-5250)

Anthony Fressola, Chief, Accounting Control Division (Tel. No. 212-720-5803)

Reporting Requirements:

Nancy Bercovici, Assistant Vice President (Tel. No. 212-720-8227)

Kenneth P. Lamar, Chief, Deposit Reports Division (Tel. No. 212-720-8590)

Interpretation of Regulation D:

Joyce M. Hansen, Counsel (Tel. No. 212-720-5024)

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E. GERALD CORRIGAN,
President.

FEDERAL RESERVE SYSTEM

12 CFR Part 204

[Regulation D; Docket No. R-0741]

Reserve Requirements of Depository Institutions; Reserve Requirement Ratios

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final rule.

SUMMARY: The Board is amending 12 CFR part 204 (Regulation D—Reserve Requirements of Depository Institutions) to increase the amount of transaction accounts subject to a reserve requirement ratio of three percent, as required by section 19(b)(2)(C) of the Federal Reserve Act (12 U.S.C. 461(b)(2)(C)), from \$41.1 million to \$42.2 million of net transaction accounts. This adjustment is known as the low reserve tranche adjustment. The Board has increased from \$3.4 million to \$3.6 million the amount of reservable liabilities of each depository institution that is subject to a reserve requirement of zero percent. This action is required by section 19(b)(11)(B) of the Federal Reserve Act (12 U.S.C. 461(b)(11)(B)), and the adjustment is known as the reservable liabilities exemption adjustment. The Board is also increasing from \$44.0 million to \$44.8 million the deposit cutoff level that is used in conjunction with the reservable liabilities exemption amount to determine the frequency of deposit reporting.

DATES: *Effective Date:* December 17, 1991.

Compliance Dates: For depository institutions that report weekly, the low reserve tranche adjustment and the reservable liabilities exemption adjustment will be effective on the reserve computation period that begins Tuesday, December 24, 1991, and on the corresponding reserve maintenance period that begins Thursday, December 26, 1991. For institutions that report quarterly, the low reserve tranche adjustment and the reservable liabilities exemption adjustment will be effective on the reserve computation period that begins Tuesday, December 17, 1991, and on the corresponding reserve maintenance period that begins Thursday, January 16, 1992. For all depository institutions, the increase in the deposit cutoff level will be used to screen institutions in the second quarter of 1992 to determine the reporting frequency for the twelve month period that begins in September 1992.

FOR FURTHER INFORMATION CONTACT:

Patrick J. McDivitt, Attorney (202/452-3818), Legal Division, or June O'Brien, Economist (202/452-3790), Division of Monetary Affairs; for users of the Telecommunications Device for the Deaf (TDD), Dorothea Thompson (202/452-3544); Board of Governors of the Federal Reserve System, Washington, DC 20551.

SUPPLEMENTARY INFORMATION: Section 19(b)(2) of the Federal Reserve Act requires each depository institution to maintain reserves against its transaction accounts and nonpersonal time deposits, as prescribed by Board regulations. The initial reserve requirements imposed under section 19(b)(2) were set at three percent for total transaction accounts of \$25 million or less and at 12 percent on total transaction accounts above \$25 million for each depository institution. Section 19(b)(2) also provides that, before December 31 of each year, the Board shall issue a regulation adjusting for the next calendar year the total dollar amount of the transaction account tranche against which reserves must be maintained at a ratio of three percent. The adjustment in the tranche is to be 80 percent of the percentage change in total transaction accounts at all depository institutions over the one-year period that ends on the June 30 prior to the adjustment.

Currently, the low reserve tranche on transaction accounts is \$41.1 million. The increase in the total of net transaction accounts of all depository institutions from June 30, 1990, to June 30, 1991 was 3.3 percent (from \$592.7 billion to \$612.1 billion). In accordance with section 19(b)(2), the Board is amending Regulation D to increase the low reserve tranche for transaction accounts for 1992 by \$1.1 million to \$42.2 million.

Section 19(b)(11)(A) of the Federal Reserve Act provides that \$2 million of reservable liabilities¹ of each depository institution shall be subject to a zero percent reserve requirement. Section 19(b)(11)(A) permits each depository institution, in accordance with the rules and regulations of the Board, to designate the reservable liabilities to which this reserve requirement exemption is to apply. However, if transaction accounts are designated, only those that would otherwise be subject to a three percent reserve requirement (i.e., transaction accounts within the low reserve requirement tranche) may be so designated.

¹ Reservable liabilities include transaction accounts, nonpersonal time deposits, and Eurocurrency liabilities as defined in section 19(b)(5) of the Federal Reserve Act.

Section 19(b)(11)(B) of the Federal Reserve Act provides that, before December 31 of each year, the Board shall issue a regulation adjusting for the next calendar year the dollar amount of reservable liabilities exempt from reserve requirements. Unlike the adjustment for transaction accounts, which adjustment can result in a decrease as well as an increase, the change in the exemption amount is to be made only if the total reservable liabilities held at all depository institutions increases from one year to the next. The percentage increase in the exemption is to be 80 percent of the increase in total reservable liabilities of all depository institutions as of the year ending June 30. Total reservable liabilities of all depository institutions from June 30, 1990, to June 30, 1991, increased by 6.0 percent (from \$1,223.0 billion to \$1,296.3 billion). Under section 19(b)(11)(B), the reservable liabilities exemption amount will be increased by \$0.2 million. Consequently, the reservable liabilities exemption amount for 1992 will increase to \$3.6 million.

The effect of the application of section 19(b) of the Federal Reserve Act to the change in the total net transaction accounts and the change in the total reservable liabilities from June 30, 1990 to June 30, 1991 is to increase the low reserve tranche to \$42.2 million, to apply a zero percent reserve requirement on the first \$3.6 million of transaction accounts, and to apply a three percent reserve requirement on the remainder of the low reserve tranche.

The tranche adjustment and the reservable liabilities exemption adjustment for weekly reporting institutions will be effective on the reserve computation period beginning Tuesday, December 24, 1991, and on the corresponding reserve maintenance period beginning Thursday, December 26, 1991. For institutions that report quarterly, the tranche adjustment and the reservable liabilities exemption adjustment will be effective on the computation period beginning Tuesday, December 17, 1991, and on the reserve maintenance period beginning Thursday, January 16, 1992. In addition, all institutions currently submitting Form FR 2900 must continue to submit reports to the Federal Reserve under current reporting procedures.

In order to reduce the reporting burden for small institutions, the Board has established a deposit reporting cutoff level to determine deposit reporting frequency. Institutions are screened during the second quarter of each year to determine reporting frequency beginning the following

September. In March of 1985, the Board indexed this reporting cutoff level in an amount equal to 80 percent of the annual rate of increase of total deposits.² In July of 1988, in conjunction with approval of the extension of the deposit reporting system, the Board increased the cutoff level upon which the indexing is to be applied to \$40 million. The current reporting cutoff level is \$44.0 million.

From June 30, 1990, to June 30, 1991, total deposits grew 2.1 percent, from \$3,712.3 billion to \$3,791.9 billion. This results in an increase of \$0.8 million in the deposit cutoff level that determines the frequency of reporting from the current \$44.0 million to \$44.8 million. Based on the indexation of the reserve requirement exemption, the cutoff level for total deposits above which reports of deposits must be filed will rise from \$3.4 million to \$3.6 million. Institutions with total deposits below \$3.6 million are excused from reporting if their deposits can be estimated from other data sources. The \$44.8 million cutoff level for weekly versus quarterly FR 2900 reporting and for quarterly FR 2910q versus annual FR 2910a reporting, and the \$3.6 million level threshold for reporting will be used in the second quarter 1992 deposits report screening process, and the adjustments will be made when the new deposit reporting panels are implemented in September 1992.

All U.S. branches and agencies of foreign banks and all Edge and Agreement Corporations, regardless of size, are required to file weekly the Report of Transaction Accounts, Other Deposits and Vault Cash (FR 2900). All other institutions that have reservable liabilities in excess of the exemption level prescribed by section 19(b)(11) of the Federal Reserve Act (known as "nonexempt institutions") and total deposits at least equal to the deposit level (\$44.8 million) are also required to file weekly the Report of Transaction Accounts, Other Deposits and Vault Cash (FR 2900). However, nonexempt institutions with total deposits less than the deposit cutoff level (\$44.8 million), may file the FR 2900 quarterly for the twelve month period starting September 1992. Institutions that obtain funds from non-U.S. sources or that have foreign branches or international banking facilities are required to file the Report of Certain Eurocurrency Transactions

² In November of 1985, the Board amended the definition of "total deposits" as used in determining the cutoff level to include not only gross transaction deposits, savings accounts, and time deposits, but also reservable obligations of affiliates, ineligible acceptance liabilities, and net Eurocurrency liabilities.

(FR 2950/2951) on the same frequency as they file the FR 2900.

Institutions with reservable liabilities at or below the exemption level (\$3.6 million) (known as "exempt institutions") must file the Quarterly Report of Selected Deposits, Vault Cash, and Reservable Liabilities (FR 2910q) if their total deposits are not below the deposit cutoff level (\$44.8 million). Exempt institutions with total deposits less than the deposit cutoff level but more than the exemption amount must file the Annual Report of Total Deposits and Reservable Liabilities (FR 2910a). Institutions that have total deposits less than the exemption amount (\$3.6 million) are not required to file deposit reports if their deposits can be estimated from other data sources.

Finally, the Board may require a depository institution to report on a weekly basis, regardless of the cutoff level, if the institution manipulates its total deposits and other reservable liabilities in order to qualify for quarterly reporting. Similarly, any depository institution that reports quarterly may be required to report weekly and to maintain appropriate reserve balances with its Reserve Bank if, during its computation period, it understates its usual reservable liabilities or it overstates the deductions allowed in computing required reserve balances.

Notice and Public Participation

The provisions of 5 U.S.C. 553(b) relating to notice and public participation have not been followed in connection with the adoption of these amendments because the amendments involve adjustments prescribed by statute and by an interpretative statement reaffirming the Board's policy concerning reporting practices. The amendments also reduce regulatory burdens on depository institutions. Accordingly, the Board finds good cause for determining, and so determines, that notice and public participation are unnecessary and contrary to the public interest.

The provisions of 5 U.S.C. 553(d) relating to notice of the effective date of a rule have not been followed in connection with the adoption of these amendments because the amendments relieve a restriction on depository institutions, and for this reason there is good cause to determine, and the Board so determines, that such notice is not necessary.

Regulatory Flexibility Act Analysis

Pursuant to section 605(b) of the Regulatory Flexibility Act (Pub. L. No. 96-354, 5 U.S.C. 601 *et seq.*), the Board

certifies that the proposed amendments will not have a significant economic impact on a substantial number of small entities. The proposed amendments reduce certain regulatory burdens for all depository institutions, reduce certain burdens for small depository institutions, and have no particular effect on other small entities.

List of Subjects in 12 CFR Part 204

Banks, banking, Currency, Federal Reserve System, Mortgages, Penalties, Reporting and record keeping requirements.

Pursuant to the Board's authority under section 19 of the Federal Reserve Act, 12 U.S.C. 461 *et seq.*, the Board is amending 12 CFR Part 204 as follows:

PART 204—RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS

1. The authority citation for part 204 continues to read as follows:

Authority: Sections 11(a), 11(c), 19, 25, 25(a) of the Federal Reserve Act (12 U.S.C. 248(a), 248(c), 371a, 371b, 461, 601, 611); section 7 of the International Banking Act of 1978 (12 U.S.C. 3105); and section 411 of the Garn St-Germain Depository Institutions Act of 1982 (12 U.S.C. 461).

2. In § 204.9 paragraphs (a)(1) and (a)(2) are revised to read as follows:

§ 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:

Category	Reserve requirement
Net transaction accounts: ¹	
\$0 to \$42.2 million	3 percent of amount.
Over \$42.2 million	\$1,266,000 plus 12 percent of amount over \$42.2 million.
Nonpersonal time deposits.	0 percent.
Eurocurrency liabilities.....	0 percent.

¹ Dollar amounts do not reflect the adjustment to be made by the next paragraph.

(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) of this section not in excess of \$3.6 million determined in accordance with § 204.3(a)(3) of this part.

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By order of the Board of Governors of the
Federal Reserve System, November 21, 1991.

William W. Wiles,

Secretary of the Board.

[FR Doc. 91-28441 Filed 11-26-91; 8:45 am]

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BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

SUPPLEMENT TO REGULATION D

Reserve Requirement Ratios

Effective December 17, 1991, 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 paragraphs (a) (1) and (2) 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 \$42.2 million	3% of amount
Over \$42.2 million	\$1,266,000 plus 12% of amount over \$42.2 million
<i>Nonpersonal time deposits</i>	<i>0%</i>
<i>Eurocurrency liabilities</i>	<i>0%</i>

(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) of this section not in excess of \$3.6 million determined in accordance with section 204.3(a)(3) of this part.

* Dollar amounts do not reflect the adjustment to be made by the next paragraph.