FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. **10672**
December 7, 1993]

1994 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 $46.8 million to $51.9 million in the net transaction accounts to which a 3 percent reserve requirement will apply in 1994.

The Board also changed from $3.8 million to $4.0 million the amount of reservable liabilities of each depository institution that is subject to a reserve requirement of zero percent.

Additionally, the Board maintained at $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 23. The *Federal Register* notice issued on November 23 misstated the effective dates of the new low reserve tranche and the exemption amounts for quarterly FR2900 reporters. For these institutions, the new amounts are effective with the reserve computation period that begins Tuesday, December 21, 1993 and on the corresponding reserve maintenance period that begins Thursday, January 20, 1994; the reserve requirement for net transaction accounts over $51.9 million, prior to the adjustment for the $4.0 million exemption amount, is $1,557,000 plus 10 percent of the amount over $51.9 million. *The Federal Register notice printed on the following pages has been corrected accordingly.*

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)

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Kenneth P. Lamar, Manager, Domestic and Regulatory Reports Department (Tel. No. 212-720-8590)
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Interpretation of Regulation D:
Elizabeth S. Irwin-McCaughey, Manager, Compliance Examinations Department (Tel. No. 212-720-6820)
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WILLIAM J. MCDONOUGH,
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Rules and Regulations

Federal Register

Vol. 58, No. 224

Tuesday, November 23, 1993

FEDERAL RESERVE SYSTEM

12 CFR Part 204

[Regulation D; Docket No. R–0816]

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 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, from $46.8 million to $51.9 million of net transaction accounts. This adjustment is known as the low reserve tranche adjustment. The Board has increased from $3.8 million to $4.0 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, and the adjustment is known as the reservable liabilities exemption adjustment. The Board is also leaving unchanged at $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 14, 1993.

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 21, 1993, and on the corresponding reserve maintenance period that begins Thursday, December 23, 1993. 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 21, 1993, and on the corresponding reserve maintenance period that begins Thursday, January 20, 1994. For all depository institutions, the deposit cutoff level will be used to screen institutions in the second quarter of 1994 to determine the reporting frequency for the twelve-month period that begins in September 1994.

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, Board of Governors of the Federal Reserve System. For the hearing impaired only, Telecommunications Device for the Deaf (TDD), Dorothea Thompson (202/452–3544), Board of Governors of the Federal Reserve System, 20th and C Streets, NW., Washington, DC 20551.

SUPPLEMENTARY INFORMATION: Section 19(b)(2) of the Federal Reserve Act (12 U.S.C. 461(b)(2)) 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 net transaction accounts of $25 million or less and at 12 percent on net transaction accounts above $25 million for each depository institution. Effective April 2, 1992, the Board lowered the required reserve ratio applicable to transaction account balances exceeding the low reserve tranche from 12 percent to 10 percent. 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 net 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 net transaction accounts is $46.8 million. The increase in the net transaction accounts of all depository institutions from June 30, 1992, to June 30, 1993 was 13.5 percent (from $695.4 billion to $789.3 billion). In accordance with section 19(b)(2), the Board is amending Regulation D (12 CFR part 204) to increase the low reserve tranche for transaction account for 1994 by $5.1 million to $51.9 million.

Section 19(b)(11)(A) of the Federal Reserve Act (12 U.S.C. 461(b)(11)(B)) provides that $2 million of reservable liabilities[1] 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 net transaction accounts are designated, only those that would otherwise be subject to a three percent reserve requirement (*i.e.*, net transaction accounts within the low reserve requirement tranche) may be so designated.

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 net 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, 1992, to June 30, 1993, increased by 7.4 percent (from $1,390.6 billion to $1,493.8 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 1994 will increase to $4.0 million.

The effect of the application of section 19(b) of the Federal Reserve Act to the

[1] Reservable liabilities include transaction accounts, nonpersonal time deposits, and Eurocurrency liabilities as defined in section 19(b)(5) of the Federal Reserve Act. The reserve ratio on nonpersonal time deposits and Eurocurrency liabilities is zero percent.

change in the total net transaction accounts and the change in the total reservable liabilities from June 30, 1992 to June 30, 1993 is to increase the low reserve tranche to $51.9 million, to apply a zero percent reserve requirement on the first $4.0 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 21, 1993, and on the corresponding reserve maintenance period beginning Thursday, December 23, 1993. For institutions that report quarterly, the tranche adjustment and the reservable liabilities exemption adjustment will be effective on the computation period beginning Tuesday, December 21, 1993, and on the reserve maintenance period beginning Thursday, January 20, 1994. 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 July of 1988 the Board set the cutoff level at $40 million plus an amount equal to 80 percent of the annual rate of increase of total deposits.[2] The current reporting cutoff level is $44.8 million.

From June 30, 1992, to June 30, 1993, total deposits fell 0.02 percent, from $3,794.2 billion to $3,793.5 billion. This results in no change in the deposit cutoff level that determines the frequency of reporting. Consequently, the deposit cutoff level will remain at $44.8 million. Based on the indexation of the reservable liabilities exemption, the cutoff level for total deposits above which reports of deposits must be filed will rise from $3.8 million to $4.0 million. Institutions with total deposits below $4.0 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 $4.0 million level threshold for reporting will be used in the second quarter 1994 deposits report screening process, and the adjustments will be made when the new deposit reporting panels are implemented in September 1994.

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 cutoff 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 1994. 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 (FR 2950/2951) at the same frequency as they file the FR 2900.

Institutions with reservable liabilities at or below the exemption level ($4.0 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 ($4.0 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. 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, Reporting and recordkeeping requirements.

For the reasons set forth in the preamble, the Board is amending 12 CFR part 204 as follows:

PART 204—RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS (REGULATION D)

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

Authority: 12 U.S.C. 248(a), 248(c), 371a, 461, 601, 611, and 3105.

2. In § 204.9 paragraph (a) is 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:

[2] "Total deposits" as used in determining the cutoff level includes not only gross transaction deposits, savings accounts, and time deposits, but also reservable obligations of affiliates, ineligible acceptance liabilities, and net Eurocurrency liabilities.

Category	Reserve requirement
Net transaction accounts:[1]	
$0 to $51.9 million	3 percent of amount.
Over $51.9 million	$1,557,000 plus 10 percent of amount over $51.9 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 $4.0 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 17, 1993.

William W. Wiles,

Secretary of the Board.

[FR Doc. 93–28685 Filed 11–22–93; 8:45 am]

BILLING CODE 6210–01–M