

Amendments to Regulation D Reserve Requirements of Depository Institutions June 2003*

1. *Effective December 1, 1998, section 204.2(p) is removed and reserved.*

2. *Effective January 1, 1998, section 204.3 (a), (b), and (i) is amended to read as follows:*

(a) *Maintenance and reporting of required reserves.*

(1) *Maintenance.* A depository institution, a U.S. branch or agency of a foreign bank, and an Edge or agreement corporation shall maintain reserves against its deposits and Eurocurrency liabilities in accordance with the procedures prescribed in this section and section 204.4 and the ratios prescribed in section 204.9. Reserve-deficiency charges shall be assessed for deficiencies in required reserves in accordance with the provisions of section 204.7. For purposes of this part, the obligations of a majority-owned (50 percent or more) U.S. subsidiary (except an Edge or agreement corporation) of a depository institution shall be regarded as obligations of the parent depository institution.

(2) *Reporting.*

(i) Every depository institution, U.S. branch or agency of a foreign bank, and Edge or agreement corporation shall file a report of deposits (or any other required form or statement) directly with the Federal Reserve Bank of its District, regardless of the manner in which it chooses to maintain required reserve balances. A foreign bank's U.S. branches and agencies

and an Edge or agreement corporation's offices operating within the same state and the same Federal Reserve District shall prepare and file a report of deposits on an aggregated basis.

(ii) A Federal Reserve Bank shall notify the reporting institution of its reserve requirements. Where a pass-through arrangement exists, the Reserve Bank will also notify the pass-through correspondent of its respondent's required reserve balances.

(iii) The Board and the Federal Reserve Banks will not hold a pass-through correspondent responsible for guaranteeing the accuracy of the reports of deposits submitted by its respondents.

(3) *Allocation of low reserve tranche and exemption from reserve requirements.* A depository institution, a foreign bank, or an Edge or agreement corporation shall, if possible, assign the low reserve tranche and reserve-requirement exemption prescribed in section 204.9(a) to only one office or to a group of offices filing a single aggregated report of deposits. The amount of the reserve-requirement exemption allocated to an office or group of offices may not exceed the amount of the low reserve tranche allocated to such office or offices. If the low reserve tranche or reserve-requirement exemption cannot be fully utilized by a single office or by a group of offices filing a single report of deposits, the unused portion of the tranche or exemption may be assigned to other offices or groups of offices of the same institution until the amount of the tranche (or net transaction accounts) or exemption (or reservable liabilities) is exhausted. The tranche or exemption

* A complete Regulation D, as amended effective January 9, 2003, consists of—

- the regulation pamphlet dated April 1997 (see inside front cover) and
- this slip sheet.

All items were included in the December 2002 slip sheet. Item 5, however, has been corrected.

may be reallocated each year concurrent with implementation of the indexed tranche and exemption, or, if necessary during the course of the year to avoid underutilization of the tranche or exemption, at the beginning of a reserve-computation period.

(b) *Form and location of reserves.*

(1) A depository institution, a U.S. branch or agency of a foreign bank, and an Edge or agreement corporation shall hold reserves in the form of vault cash, a balance maintained directly with the Federal Reserve Bank in the Federal Reserve District in which it is located, or, in the case of nonmember institutions, with a pass-through correspondent in accordance with section 204.3(i).

(2)(i) For purposes of this section, a depository institution, a U.S. branch or agency of a foreign bank, or an Edge or agreement corporation is located in the Federal Reserve District that contains the location specified in the institution's charter organizing certificate, or license or, if no such location is specified, the location of its head office, unless otherwise determined by the Board under paragraph (b)(2)(ii) of this section.

(ii) If the location specified in paragraph (b)(2)(i) of this section, in the Board's judgment, is ambiguous, would impede the ability of the Board or the Federal Reserve Banks to perform their functions under the Federal Reserve Act, or would impede the ability of the institution to operate efficiently, the Board will determine the Federal Reserve District in which the institution is located, after consultation with the institution and the relevant Federal Reserve Banks. The relevant Federal Reserve Banks are the Federal Reserve Bank whose District contains the location specified in paragraph (b)(2)(i) of this section and the Federal Reserve Bank in whose District the institution is proposed to be located. In making

this determination, the Board will consider any applicable laws, the business needs of the institution, the location of the institution's head office, the locations where the institution performs its business, and the locations that would allow the institution, the Board, and the Federal Reserve Banks to perform their functions efficiently and effectively.

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(i) *Pass-through rules.*

(1) *Procedure.*

(i) A nonmember depository institution, a U.S. branch or agency of a foreign bank, or an Edge or agreement corporation required to maintain reserve balances ("respondent") may select only one institution to pass through its required reserves, unless otherwise permitted by Federal Reserve Bank in whose District the respondent is located. Eligible institutions through which respondent required reserve balances may be passed ("correspondents") are Federal Home Loan Banks, the National Credit Union Administration Central Liquidity Facility, and depository institutions, U.S. branches or agencies of foreign banks, and Edge and agreement corporations that maintain required reserve balances at a Federal Reserve office. In addition, the Board reserves the right to permit other institutions, on a case-by-case basis, to serve as pass-through correspondents. The correspondent chosen must subsequently pass through the required reserve balances of its respondents directly to a Federal Reserve Bank. The correspondent placing funds with a Federal Reserve Bank on behalf of respondents will be responsible for account maintenance as described in paragraphs (i)(2) and (i)(3) of this section.

(ii) Respondents or correspondents may institute, terminate, or change pass-through arrangements for the maintenance of required reserve bal-

ances by providing all documentation required for the establishment of the new arrangement or termination of the existing arrangement to the Federal Reserve Bank involved within the time period provided for such a change by those Reserve Banks.

(2) *Account maintenance.* A correspondent that passes through required reserve balances of respondents shall maintain such balances, along with the correspondent's own required reserve balances (if any), in a single commingled account at the Federal Reserve Bank in whose District the correspondent is located, unless otherwise permitted by the Reserve Bank. The balances held by the correspondent in an account at a Reserve Bank are the property of the correspondent and represent a liability of the Reserve Bank solely to the correspondent, regardless of whether the funds represent the reserve balances of another institution that have been passed through the correspondent.

(3) *Responsibilities of parties.*

(i) Each individual depository institution is responsible for maintaining its required reserve balance either directly with a Federal Reserve Bank or through a pass-through correspondent.

(ii) A pass-through correspondent shall be responsible for assuring the maintenance of the appropriate aggregate level of its respondents' required reserve balances. A Federal Reserve Bank will compare the total reserve balance required to be maintained in each account with the total actual reserve balance held in such reserve account for purposes of determining required-reserve deficiencies, imposing or waiving charges for deficiencies in required reserves, and for other reserve maintenance purposes. A charge for a deficiency in the aggregate level of the required reserve balance will be imposed by the Reserve Bank on the correspondent maintaining the account.

(iii) Each correspondent is required to maintain detailed records for each of its respondents in a manner that permits Reserve Banks to determine whether the respondent has provided a sufficient required reserve balance to the correspondent. A correspondent passing through a respondent's reserve balance shall maintain records and make such reports as the Board or Reserve Bank requires in order to ensure the correspondent's compliance with its responsibilities for the maintenance of a respondent's reserve balance. Such records shall be available to the Federal Reserve Banks as required.

(iv) The Federal Reserve Bank may terminate any pass-through relationship in which the correspondent is deficient in its recordkeeping or other responsibilities.

(v) Interest paid on supplemental reserves (if such reserves are required under section 204.6) held by a respondent will be credited to the account maintained by the correspondent.

3. *Effective July 30, 1998, section 204.3(c) is amended to read as follows:*

(c) *Computation of required reserves for institutions that report on a weekly basis.*

(1) Required reserves are computed on the basis of daily average balances of deposits and Eurocurrency liabilities during a 14-day period ending every second Monday (the "computation period"). Reserve requirements are computed by applying the ratios prescribed in section 204.9 to the classes of deposits and Eurocurrency liabilities of the institution. In determining the reserve balance that is required to be maintained with the Federal Reserve, the average daily vault cash held during the computation period is deducted from the amount of the institution's required reserves.

(2) The reserve balance that is required to be maintained with the Federal Re-

serve shall be maintained during a 14-day period (the “maintenance period”) that begins on the third Thursday following the end of a given computation period.

4. *Effective January 9, 2003, the second sentence of section 204.7(a)(1) is revised to read as follows:*

(a) *Charges for deficiencies.*

(1) *Assessment of charges.* *** Federal Reserve Banks are authorized to assess charges for deficiencies in required reserves at a rate of 1 percentage point per year above the primary credit rate, as provided in section 201.51(a) of this chapter, ***

5. *Effective November 7, 2002, section 204.9 is amended to read as follows:*

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>
NET TRANSACTION ACCOUNTS	
\$0 to \$6.0 million	0% of amount
Over \$6.0 million and up to \$42.1 million	3% of amount
Over \$42.1 million	\$1,083,000 plus 10% of amount over \$42.1 million
NONPERSONAL TIME DEPOSITS	
	0%
EUROCURRENCY LIABILITIES	
	0%