

submit deposit reports. The deposit cutoff level is being increased from \$150.0 million in 2003 to \$161.2 million in 2004, and the reduced reporting limit is being increased from \$1.0 billion in 2003 to \$1.074 billion in 2004. These amounts are indexed annually in order to reduce reporting burden for smaller depository institutions. Thus, beginning in September 2004, depository institutions will be required to file the FR 2900 report each week under the following conditions: if they have net transaction accounts over \$6.6 million and have total deposits of at least \$161.2 million; or if they have net transaction accounts of \$6.6 million or less but have total deposits of at least \$1.074 billion. Depository institutions will be required to file the FR 2900 report each quarter if they have net transaction accounts over \$6.6 million but have total deposits of less than \$161.2 million. Depository institutions will be required to file the FR 2910a report annually if they have net transaction accounts of \$6.6 million or less but have total deposits greater than \$6.6 million but less than \$1.074 billion. Depository institutions with \$6.6 million or less in total deposits are not required to file a deposit report.

DATES: Effective date: November 6, 2003.

Compliance dates: For depository institutions that report weekly, the adjusted low reserve tranche and reserve requirement exemption amount will apply to the fourteen-day reserve computation period that begins Tuesday, November 25, 2003, and the corresponding fourteen-day reserve maintenance period that begins Thursday, December 25, 2003. For depository institutions that report quarterly, the adjusted low reserve tranche and reserve requirement exemption amount will apply to the seven-day reserve computation period that begins Tuesday, December 16, 2003, and the corresponding seven-day reserve maintenance period that begins Thursday, January 15, 2004. For all depository institutions, the deposit cutoff level, the reserve requirement exemption amount, and the reduced reporting limit will be used to screen depository institutions in July of 2004 to determine reporting frequency for the twelve month period that begins in September 2004.

FOR FURTHER INFORMATION CONTACT: Heatherun Allison, Counsel (202/452-3565), Legal Division, or Gretchen Weinbach, Senior Economist (202/452-2841), Division of Monetary Affairs; for users of Telecommunications Device for the Deaf (TDD) only, contact (202/872-4984); 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, for the purpose of implementing monetary policy. Section 11(a)(2) of the Federal Reserve Act (12 U.S.C. 248(a)(2)) authorizes the Board to require reports of liabilities and assets from depository institutions to enable the Board to conduct monetary policy. The Board's actions with respect to each of these provisions are discussed in turn below.

1. **Reserve Requirements.** Pursuant to section 19(b)(2) of the Federal Reserve Act, transaction account balances maintained at each depository institution up to a certain amount, known as the low reserve tranche, are subject to a three percent reserve requirement. Net transaction account balances over the low reserve tranche are subject to a ten percent reserve requirement. Section 19(b)(2) also provides that, before December 31 of each year, the Board shall issue a regulation adjusting the low reserve tranche for the next calendar year. The adjustment in the low reserve tranche is to be 80 percent of the percentage increase or decrease 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 is \$42.1 million. Net transaction accounts of all depository institutions rose 9.9 percent (from \$611.5 billion to \$671.9 billion) between June 30, 2002 and June 30, 2003. Accordingly, the Board is amending Regulation D (12 CFR part 204) to increase the low reserve tranche for net transaction accounts by \$3.3 million, from \$42.1 million in 2003 to \$45.4 million in 2004.

Section 19(b)(11)(A) of the Federal Reserve Act (12 U.S.C. 461(b)(11)(A)) provides that a zero percent reserve requirement shall apply to total reservable liabilities at each depository institution that do not exceed a certain amount, known as the reserve requirement exemption amount. Section 19(b)(11)(B) provides that, before December 31 of each year, the Board shall issue a regulation adjusting the reserve requirement exemption amount for the next calendar year if total reservable liabilities held at all depository institutions increase from one year to the next. Unlike the low reserve tranche, which can be adjusted upward or downward, no adjustment is

made to the reserve requirement exemption amount if total reservable liabilities held at all depository institutions should decrease during the applicable time period. The percentage increase in the reserve requirement exemption amount is to be 80 percent of the increase in total reservable liabilities at all depository institutions over the one-year period that ends on the June 30 prior to the adjustment.

Total reservable liabilities of all depository institutions increased by 12.9 percent (from \$2,472.3 billion to \$2,792.2 billion) between June 30, 2002, and June 30, 2003. Accordingly, the Board is amending Regulation D to increase the reserve requirement exemption amount by \$0.6 million, from \$6.0 million in 2003 to \$6.6 million in 2004.¹

For depository institutions that report weekly, the adjusted low reserve tranche and reserve requirement exemption amount will be effective for the fourteen-day reserve computation period beginning Tuesday, November 25, 2003, and for the corresponding fourteen-day reserve maintenance period beginning Thursday, December 25, 2003. For depository institutions that report quarterly, the adjusted low reserve tranche and reserve requirement exemption amount will be effective for the seven-day computation period beginning Tuesday, December 16, 2003, and for the corresponding seven-day reserve maintenance period beginning Thursday, January 15, 2004.

2. **Deposit Reports.** Section 11(b)(2) of the Federal Reserve Act authorizes the Board to require depository institutions to file reports of their liabilities and assets as the Board may determine to be necessary or desirable to enable it to discharge its responsibility to monitor and control monetary and credit aggregates. The Board screens depository institutions each year to determine whether they must file deposit reports and, if so, how frequently they must file them (weekly, quarterly, or annually). These deposit reporting assignments become effective each September.

The screening of depository institutions for assignment to one of the four deposit reporting categories is based on three amounts: The reserve requirement exemption amount, the deposit cutoff level, and the reduced reporting limit. The annual adjustment to the first amount, the reserve requirement exemption amount, is

¹ Consistent with Board practice, the low reserve tranche and reserve requirement exemption amounts have been rounded to the nearest \$0.1 million.