ALLOCATION OF LOW RESERVE TRANCHE AND RESERVABLE LIABILITIES EXEMPTION FOR U.S. BRANCHES AND AGENCIES OF FOREIGN BANKS AND EDGE AND AGREEMENT CORPORATIONS (FR 2930)

INSTRUCTIONS

Public reporting burden for this collection of information is estimated to average 0.25 hour, including the time to gather and maintain data in the required form and to review instructions and complete the information collection. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to: Secretary, Board of Governors of the Federal Reserve System, 20th and C Streets, N.W., Washington, DC 20551; and to the Office of Management and Budget, Paperwork Reduction Project (7100−0088), Washington, DC 20503.

A. SCOPE

Federal Reserve Regulation D, "Reserve Requirements of Depository Institutions," requires that (1) all U.S. branches of foreign banks, (2) all U.S. agencies of foreign banks with total consolidated worldwide banking assets in excess of $1 billion, and (3) all Edge and Agreement corporations having transaction accounts, nonpersonal time deposits, or certain Eurocurrency liabilities, satisfy Federal Reserve requirements on such liabilities. Further, the regulation requires that a foreign bank's U.S. branches and agencies located within the same state and within the same Federal Reserve District submit an aggregated Report of Transaction Accounts, Other Deposits and Vault Cash (FR 2900) for reserve calculation purposes. The same requirement also applies to offices of an Edge or Agreement corporation located within the same state and within the same Federal Reserve District. For the filing of each aggregated report, one office must be selected as the reporting office.

In calculating reserve requirements on transaction accounts, the low reserve tranche is reserved at a lower ratio than amounts in excess of the tranche.[1] In addition, the Garn−St Germain Depository Institutions Act of 1982 established a zero percent reserve requirement on the first $2 million of reservable liabilities for each depository institution.[2] While the Act permits depository institutions, in accordance with the rules and regulations of the Board of Governors, to designate the reservable liabilities to which the zero percent reserve requirement exemption applies, to the extent that transaction accounts are so designated only those transaction accounts that would otherwise be subject to a 3 percent reserve requirement (i.e., transaction accounts within the low reserve tranche), may be exempted. Only a single low reserve tranche and a single reservable liabilities exemption is allowed, however, for all U.S. agencies and branches of the same foreign parent bank and for all U.S. offices (that is, the head office and all U.S. branches) of a single Edge or Agreement corporation. For a foreign bank that has U.S. branches and agencies located in more than one state or in more than one Federal Reserve District, which file separate FR 2900 reports, the low reserve tranche and the reservable liabilities exemption must be allocated among the reporting offices of the foreign bank. Similarly, for an Edge or Agreement corporation that has offices located in more than one state or in more than one Federal Reserve District which file separate FR 2900 reports, the low reserve tranche and the reservable liabilities exemption must be allocated among the reporting offices of the Edge or Agreement corporation. This reporting form is provided for the purpose of those allocations.

1. The amount of the low reserve tranche is adjusted annually based on the change in total transaction accounts at all depository institutions.

2. The amount of the reservable liabilities exemption is adjusted annually based on the change in total reservable liabilities at all depository institutions. No adjustment is made to the exemption amount if there is a decrease in total reservable liabilities at all depository institutions.

B. WHO MUST REPORT

This report is required from U.S. branches and agencies of foreign banks and from Edge and Agreement corporations that have offices located in more than one state or in more than one Federal Reserve District, in order to establish or change the allocation of the low reserve tranche or reservable liabilities exemption among reporting offices. Each foreign bank or Edge or Agreement corporation should designate one of its reporting offices to be responsible for submitting this allocation report.

C. HOW THE TRANCHE SHOULD BE ALLOCATED

Regulation D requires that, if possible, the low reserve tranche should be allocated to a single office or group of offices filing an aggregated Report of Transaction Accounts, Other Deposits and Vault Cash (FR 2900), but only if the tranche can be fully utilized by such office or group of offices. If the low reserve tranche cannot be fully utilized by a single office or group of offices filing an aggregated report, the unused portion of the tranche may be assigned to other offices of the same foreign bank or of the same Edge or Agreement corporation until the amount of the tranche or net transaction accounts is exhausted. The low reserve tranche should be allocated so as to maximize its utilization by a foreign bank or by an Edge or Agreement corporation. For example, if a foreign bank with more than one reporting office has total net transaction balances in excess of the low reserve tranche, the amount allocated to a particular office or group of offices filing an aggregated report should not exceed the anticipated minimum amount of net transaction balances at that office or group of offices. If, on the other hand, a foreign bank with more than one reporting office has total net transaction balances of less than the amount of the low reserve tranche, the tranche allocation among reporting offices should reflect the maximum amount of such balances anticipated for each reporting office.

The amount of the low reserve tranche allocated to a reporting office may not fluctuate on a weekly basis. Rather, the allocation of the tranche is fixed by the amounts reported on this form and may be changed only as described below.

D. HOW THE RESERVABLE LIABILITIES EXEMPTION SHOULD BE ALLOCATED

The rules governing the allocation of the reservable liabilities exemption are equivalent to those governing the allocation of the low reserve tranche; therefore, the procedure outlined in the above section should be followed in allocating the reservable liabilities exemption. To ensure that the reservable liabilities exemption is first applied to net transactions accounts, two further rules govern the allocation of such exemption. First, for each individual office, the exemption allocation may not exceed the tranche allocation. Second, the amount allocated to a particular office or group of offices should not exceed the anticipated amount of net transactions deposits at that office or group of offices.

E. UNDER WHAT CIRCUMSTANCES THE REPORT MUST BE FILED

1. To establish the initial allocation of the low reserve tranche and reservable liabilities exemptions. This report must be filed at the time a U.S. branch or agency of a foreign bank or a branch of an Edge or Agreement corporation is first established outside a single state or a single Federal Reserve District. *The report must be filed even if the new office will not be allocated any portion of the tranche or the exemption.*

2. To change the allocation of the low reserve tranche or reservable liabilities exemption. Changes in the allocation of the low reserve tranche or reservable liabilities exemption are permitted only in the following circumstances:

(a) A foreign bank or an Edge or Agreement corporation may change the allocation of the low reserve tranche or reservable liabilities exemption among reporting offices in different states or different Federal Reserve Districts effective at the beginning of each calendar year.

(b) When a new branch or agency of a foreign bank or a new branch of an Edge or Agreement corporation is established, the tranche allocation for any or all of the reporting offices of a foreign bank or Edge or Agreement corporation may be changed effective the first reserve computation period beginning in any calendar month.

(c) If, under the existing allocation, the low reserve tranche or the reservable liabilities exemption is not being fully utilized by a foreign bank or by an Edge or Agreement corporation during each reserve computation period, or if the existing allocation of the low reserve tranche is having an adverse affect on operations of the foreign bank or the Edge or Agreement corporation, the allocation may be changed effective the first reserve computation period beginning in any calendar month.

F. WHERE TO FILE THE REPORT

In each of the situations described above, a copy of the report for allocation of the low reserve tranche and reservable liabilities exemption must be submitted to each Federal Reserve District in which an office or a group of offices that will be allocated a portion of the low reserve tranche is located or in which an office or a group of offices that is currently allocated a portion of the low reserve tranche is located. A list of addresses for each Federal Reserve Bank to which a copy of the report is to be sent is provided in Attachment A to these instructions.

G. WHEN TO FILE THE REPORT

The report must be submitted at least one week prior to the beginning of the reserve computation period in which the low reserve tranche or reservable liabilities exemption allocation reported on this form is to be effective.