

**Supporting Statement for the Reports of Deposits**  
**(FR 2900; OMB No. 7100-0087)**  
**(FR 2910a; OMB No. 7100-0175)**

## **Summary**

The Board of Governors of the Federal Reserve, under delegated authority from the Office of Management and Budget (OMB), proposes to revise, without extension, the Report of Transaction Accounts, Other Deposits and Vault Cash (FR 2900; OMB No. 7100-0087) and the Annual Report of Deposits and Reservable Liabilities (FR 2910a; OMB No. 7100-0175).

Depository institutions submit deposit data either weekly, quarterly, or annually. These mandatory data are used by the Federal Reserve for administering Regulation D (Reserve Requirements of Depository Institutions) and for constructing, analyzing, and monitoring the monetary and reserve aggregates.

The Federal Reserve proposes two changes: (1) replacing the term “operations subsidiary” with “majority-owned subsidiary” in the reporting instructions for the FR 2900 and the FR 2910a and (2) incorporating the proposed amendments to Regulation D into the reporting instructions for the FR 2900 and the FR 2910a. In addition, the Federal Reserve suggests reorganizing and reformatting the reporting instructions for the FR 2900 and the FR 2910a to enhance their clarity. Copies of the proposed FR 2900 and FR 2910a instructions are attached.

While the proposed clarifications to the reporting instructions would not affect the total estimated annual reporting burden, a reevaluation of the estimated response time for FR 2910a reporters would lower the estimated annual reporting burden by 847 hours to 619,561 hours.

## **Background and Current Reporting Structure**

The current system of reporting is designed to meet the requirements of the Federal Reserve Act as amended by both the Monetary Control Act of 1980 (MCA) and the Garn-St Germain Depository Institutions Act of 1982 (Garn-St Germain Act). The MCA imposes reserve requirements on all depository institutions that have transaction accounts or nonpersonal time deposits.<sup>1</sup> In implementing MCA, the Federal Reserve elected to limit the reporting burden on smaller institutions by reducing their frequency of reporting (“reduced reporting”). As a result, institutions with total transaction accounts, savings deposits, and small time deposits below a deposit cutoff submit FR 2900 report data at a quarterly rather than weekly frequency.<sup>2</sup> The Garn-St Germain Act imposes a zero-percent reserve requirement on a specific amount of a depository institution’s reservable liabilities (the “exemption amount”), in effect exempting from reserve requirements all depository institutions whose total reservable liabilities are less than or equal to the exemption amount. The Garn-St Germain Act also requires that depository institutions with a zero-percent reserve requirement be subject to less overall reporting than other

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1 The Federal Reserve imposes reserve requirements on U.S. branches and agencies of foreign banks under the authority of the International Banking Act of 1978.

2 Prior to September 2007, an institution’s total deposits were compared to the deposit cutoff to determine reporting frequency.

depository institutions consistent with the Federal Reserve's responsibility to monitor and control the monetary and reserves aggregates.

The current reporting framework for the deposit reports was implemented in April 1983. This framework originally comprised five reporting categories, but in 2000, the number of reporting categories was reduced to four.<sup>3</sup> Since September 2003, the boundaries of the four reporting categories have been defined by three measures: the exemption amount, the nonexempt deposit cutoff, and the reduced reporting limit.<sup>4</sup> Membership in the four reporting categories is reviewed annually, and the assignment of institutions to reporting panels (known as the annual panel shift) occurs each September. A change to a depository institution's reporting frequency reflects movements in the institutions' deposit levels across the prevailing boundaries that separate the reporting categories.

The exemption amount, the nonexempt deposit cutoff, and the reduced reporting limit are each indexed annually. The exemption amount, which was initially set to \$2 million in 1983, is indexed annually by 80 percent of the annual growth rate of total reservable liabilities at all depository institutions.<sup>5</sup> The nonexempt deposit cutoff and reduced reporting limit are each indexed annually by 80 percent of the annual growth rate of total transaction accounts, savings deposits, and small time deposits at all depository institutions.<sup>6</sup> The initial nonexempt deposit cutoff was set to \$5 million in 1985, while the initial reduced reporting limit was set to \$1 billion in 2003. These indexing procedures call for the exemption amount to be set to \$9.3 million, the nonexempt deposit cutoff to be set to \$216.2 million and the reduced reporting limit to be set to \$1.211 billion, effective with the September 2008 panel assignments.

## **Description of Information Collection**

### **Report of Transaction Accounts, Other Deposits and Vault Cash (FR 2900)**

The FR 2900 is the primary source of data used for the calculation of required reserves and applied vault cash and for the construction and analysis of the monetary aggregates. Data are also used for indexing the exemption amount and low reserve tranche amount each year as required by statute and for indexing the nonexempt deposit cutoff and reduced reporting limit each year as determined by the Federal Reserve.

**Data Coverage.** The FR 2900 reporting form currently comprises 15 data items. Twelve items are reported at a daily frequency for all of the Tuesday-through-Monday report weeks.

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<sup>3</sup> The Quarterly Report of Selected Deposits, Vault Cash, and Reservable Liabilities (FR 2910q; OMB No. 7100-0175) was discontinued on September 25, 2000, thereby eliminating one of the reporting categories. Improved timeliness and processing procedures made it possible to use data from Call Reports, rather than data from the FR 2910q report, in the construction of the monetary aggregates.

<sup>4</sup> The reduced reporting limit was implemented by the Board in September 2003 to improve the coverage of weekly-reported deposit data.

<sup>5</sup> No adjustment is made to the exemption amount if total reservable liabilities at all depository institutions decline. The annual growth rate is measured from June 30 one year to June 30 the next year, and then used in calculating the exemption amount for the subsequent year. The exemption amount is implemented beginning with the first maintenance period in the subsequent year that includes January 1.

<sup>6</sup> Before the elimination of M3 in 2007, the growth rate of total deposits was used in place of total transaction accounts, savings deposits, and small time deposits.

These 12 data items are necessary for the calculation of reserve requirements, applied vault cash, and for the construction of the monetary aggregates. Three data items—those that supply data on the nontransaction components of total reservable liabilities—are submitted at an annual frequency for use in the indexation of the exemption amount and low reserve tranche amount.

**Reporting Frequency.** With the exceptions noted below, an institution’s reporting frequency is currently determined by the levels of its net transaction accounts, total deposits, total transaction accounts, savings deposits, and small time deposits. Any institution that is assigned to a particular reporting category may, using established procedures, elect instead to submit deposit data (and, if applicable, maintain reserves) in accordance with a higher-frequency reporting category.

Institutions with net transaction accounts greater than the reserve requirement exemption amount are called nonexempt institutions, and they do not qualify for reduced reporting. Institutions with total transaction accounts, savings deposits, and small time deposits equal to or greater than the reduced reporting limit are also referred to as nonexempt institutions and do not qualify for reduced reporting. Nonexempt institutions submit FR 2900 data either weekly or quarterly. Weekly reporting is required if an institution’s total transaction accounts, savings deposits, and small time deposits are equal to or greater than the nonexempt deposit cutoff. If the institution’s total transaction accounts, savings deposits, and small time deposits are less than the nonexempt deposit cutoff then the institution must report quarterly.

Exempt institutions are institutions that are eligible for reduced reporting and submit either the FR 2910a data annually or no deposit data to the Federal Reserve. Exempt institutions have net transaction accounts less than or equal to the exemption amount and have total transaction accounts, savings deposits, and small time deposits less than the reduced reporting limit. If an exempt institution’s total deposits are greater than the exemption amount then the institution is required to submit the FR 2910a data. Exempt institutions with total deposits less than or equal to the exemption amount are not required to submit deposit data to the Federal Reserve if other data sources, such as Call Reports, are available.<sup>7</sup>

U.S. branches and agencies of foreign banks and banking Edge and agreement corporations submit the FR 2900 data on a weekly basis, regardless of their size. The relationship between these institutions and their parent organizations makes possible short-term transfers of liabilities and assets between reporting dates in order to avoid reserve requirements. To eliminate the possibility of reserve avoidance, submission of weekly data for these institutions is deemed necessary.

Weekly reporting of the 12 daily FR 2900 data items by larger, nonexempt institutions facilitates the calculation of reserve requirements, the construction of the monetary aggregates, and the implementation of monetary policy. Quarterly reporting of those same FR 2900 data items by smaller, nonexempt institutions reduces the reporting burden on these institutions.<sup>8</sup> All

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<sup>7</sup> In this document the term Call Report refers to the commercial bank Consolidated Reports of Condition (FFIEC 031 and 041; OMB No. 7100-0036), the Thrift Financial Report (OTS 1313; OMB No. 1550-0023), and the Statement of Financial Condition (NCUA 5300/5300SF; OMB No. 3133-0004).

<sup>8</sup> The reporting weeks for the quarterly reporters begin on the third Tuesday of March, June, September, and December. For the purposes of constructing the monetary aggregates, weekly deposits and vault cash for quarterly

FR 2900 reporters, regardless of how frequently they submit the daily data items, submit the three annual data items in the month of June each year.<sup>9</sup>

**Proposed Revisions to the FR 2900.** The Federal Reserve proposes replacing operations subsidiary with majority-owned subsidiary in the FR 2900 reporting instructions to clarify the consolidation rules that should be used when submitting FR 2900 data. The Federal Reserve also recommends implementing changes to bring the FR 2900 reporting instructions into alignment with recent changes to Regulation D. Finally, the Federal Reserve proposes to consolidate FR 2900 reporting instructions to enhance clarity and promote consistency.

Consolidation Rules. The Federal Reserve proposes that the term “operations subsidiary” be replaced with “majority-owned subsidiary” when used to describe the type of subsidiaries that should be consolidated on the FR 2900. This change brings the instructions in line with existing language in Regulation D [12 CFR Part 204.3(a)(1)]. Operations subsidiaries, and in particular their obligations, are wholly-owned by their parent institution. The use of the term “operations subsidiary” contradicts the language in Regulation D that specifies that the obligations of a majority-owned (50 percent or more) U.S. subsidiary of a depository institution shall be regarded as obligations of the parent and therefore should be consolidated on the parent’s FR 2900.

Regulation D Amendments. In 2008, the Federal Reserve proposed amendments to Regulation D, some of which were pursuant to the Financial Services Regulatory Relief Act of 2006. The Federal Reserve proposes the following changes to the FR 2900 reporting instructions to be consistent with the proposed Regulation D amendments.<sup>10</sup> The Federal Reserve also requests latitude to modify the proposed revisions related to Regulation D to be consistent with any final revisions to the regulation approved by the Board of Governors.

(1) Clarifying where an institution must submit its data by adding language on where an institution is located. An institution is now located where specified in the institution’s charter, organizing certificate, license, or articles of incorporation or as specified by the institution’s primary regulator, or if no such location is specified, the location of its head office, unless otherwise determined by the Board.

(2) Changing the language pertaining to pass-through arrangements to allow member banks to pass their required reserve balances through a correspondent to a Federal Reserve Bank.

(3) Deleting language in the savings deposit section that limits the number of withdrawals by check, draft, debit card or similar order made by the depositor and payable to third parties to three per statement cycle. The new limit on these types of withdrawals is six per statement cycle, the same limit placed on convenient withdrawals and transfers.

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reporters are estimated between quarterly report dates from reported movements at a class of small weekly FR 2900 reporters. When actual data from the quarterly FR 2900 reporters become available, these weekly estimates are adjusted. Reserve requirements for quarterly reporters are satisfied during weekly maintenance periods, and are set quarter-by-quarter based on the data reported for a single week each quarter.

<sup>9</sup> 73 FR 8009, February 12, 2008.

<sup>10</sup> Weekly FR 2900 reporters submit the three annual data items as of June 30 of each year, and quarterly FR 2900 reporters submit the three annual data items as of the Monday date following the third Tuesday in June each year.

(4) Clarifying the language on early withdrawal penalties associated with time deposits. The current instructions state that a partial withdrawal from a time deposit must be subject to additional early withdrawal penalties of at least six days' simple interest. The words 'additional' and 'early' have been removed to clarify that any withdrawal from a time deposit made more often than every seven days must be charged at least seven days' simple interest.

(5) Clarifying the definition of vault cash held at an alternate location. The current instructions specify, among other requirements, that off-premises vault cash must be reasonably nearby to be reported on the FR 2900. Previously issued guidance defined reasonably nearby to mean that "an institution can recall the currency and coin by 10:00 AM and, relying solely on ground transportation, receive the currency and coin no later than 4:00 PM on the same calendar day." This condition along with the condition that the reporting institution must have a written cash delivery plan in place to recall the currency and coin are now included in the vault cash instructions.

Instruction Consolidation. The Federal Reserve recommends combining the commercial bank and the savings and loans instructions to take advantage of the similarities of these institutions and to reduce the burden of maintaining various versions of the FR 2900 reporting instructions. Separate instructions will be maintained for branches and agencies and credit unions.

### **Annual Report of Deposits and Reservable Liabilities (FR 2910a)**

The FR 2910a is generally submitted by exempt institutions whose total deposits (as shown on their December Call Report) are greater than the exemption amount. Reporters submit single-day data as of June 30.

**Data Coverage.** The FR 2910a reporting form collects three data items: total transaction accounts, savings deposits, and small time deposits; reservable liabilities; and net transaction accounts. The first data item submitted on the FR 2910a report, total transaction deposits, savings deposits, and small time deposits is used to determine whether an institution will continue to be eligible for reduced reporting and, if not, the frequency at which the institution must submit FR 2900 data (weekly or quarterly). In addition, these data are used in the annual indexation of the nonexempt deposit cutoff and the reduced reporting limit.

The second item, reservable liabilities, comprises the sum of net transaction accounts, nonpersonal savings deposits, and nonpersonal time deposits, regardless of maturity. Data on reservable liabilities are used for the annual indexation of the exemption amount (as required by statute).

Net transaction accounts, the third data item, comprises total transaction accounts plus ineligible acceptances and obligations issued by affiliates maturing in less than seven days, less demand balances due from depository institutions and cash items in process of collection. Data on net transaction accounts are used in the annual indexation of the low reserve tranche (as required by statute) and used to determine whether an institution will continue to be eligible for reduced reporting.

**Reporting Frequency.** Any depository institution that does not submit FR 2900 data and that has total deposits greater than the exemption amount must submit FR 2910a data each year on June 30.<sup>11,12</sup>

**Proposed Revision to the FR 2910a.** The Federal Reserve proposes to update the FR 2910a reporting instructions, as appropriate, to be consistent with the proposed revisions to the FR 2900 reporting instructions.

### **Time Schedule for Information Collection and Publication**

Reserve Banks collect and review for accuracy the deposit data from reporters on a schedule that allows the Reserve Banks to meet the deadline for reporting those data to the Federal Reserve. FR 2900 quarterly respondents submit daily data for the week beginning with the third Tuesday and continuing through the following Monday in March, June, September, and December. FR 2910a respondents submit data annually, as of close of business June 30 each year.

The data are used in the production of public statistical releases and internal reports. Aggregate data for deposits, reserves, or both are published in numerous publicly available statistical releases: Aggregate Reserves of Depository Institutions and Monetary Base (H.3 statistical release; *Statistical Supplement* Table 1.20); Money Stock Measures (H.6 statistical release; *Statistical Supplement* Table 1.21); Reserves and Money Stock Measures (*Statistical Supplement* Table 1.10); Reserves and Borrowings (*Statistical Supplement* Table 1.12); and, Assets and Liabilities of Commercial Banks in the United States (H.8 statistical release; *Statistical Supplement* Table 1.26).

### **Legal Status**

The Federal Reserve Board's Legal Division has determined that the deposit reports are required by law, as follows:

FR 2900: 12 U.S.C. 248(a), 347(d), 461, 603, and 615

FR 2910a: 12 U.S.C. 248(a) and 461

The data are given confidential treatment under Section b(4) of the Freedom of Information Act [5 U.S.C. 552(b)(4)].

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11 Institutions are added to the FR 2910a reporting panel based on total deposits (not total transaction accounts, savings deposits, and small time deposits) because nonpersonal savings and time deposits (a component of FR 2910a data item 2, Reservable Liabilities) typically include some large time deposits.

12 Any exempt institution that does not submit a December Call Report, or whose Call Report is not readily available, must submit an FR 2910a report. Any institution that adjusts its FR 2910a reported values in order to qualify for reduced reporting will be shifted to an FR 2900 reporting panel.

## **Consultation Outside the Agency**

On August 4, 2008, the Federal Reserve published a notice in the *Federal Register* (73 FR 45222) requesting public comment for 60 days on the extension, with revision, for the FR 2900 and FR 2910a. The comment period for this notice expired on October 3, 2008. The Federal Reserve received on comment from a federal agency. The commenter supported the continued collection of FR 2900 data and indicated that data collected on the FR 2900 reporting form are crucial to key components of its economic statistics.

## **Estimate of Respondent Burden**

As shown in the table below, the proposed annual reporting burden for the FR 2900 and FR 2910a is estimated to be 619,561 hours, down from 620,408 hours. The number of respondents was calculated using data available as of June 3, 2008 (the FR 2900 weekly data exclude the Federal Home Loan Banks). The proposed changes and the burden reevaluation, described below, represent a net burden reduction of 847 hours. The proposed total burden represents 13.6 percent of all Federal Reserve System reports.

The reduction in burden is not associated with the proposed revisions but rather a change to various Call Reports. During the 2006 renewal of the Reports of Deposits, the FR 2910a data item 1, Total Deposits, was revised to Total Transaction Accounts, Savings Deposits, and Small Time Deposits. The Federal Reserve estimated that it would be more time consuming for federally chartered savings banks, savings and loan institutions, and credit unions to submit data on their FR 2910a reports because, at the time, these institutions were not required to calculate small and large time deposits data for their respective Call Reports. However, by March 2007, all Call Reports required the submission of total and large time deposits data. Therefore, a higher burden calculation for federally chartered savings banks, savings and loan institutions, and credit unions is no longer necessary. The estimated time per response for the 3,388 federally chartered savings banks, savings and loan institutions, and credit unions has been reduced from 1 hour to 45 minutes to align with the estimated time per response for the remaining FR 2910a reporters.

	<i>Number of respondents</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
<b>Current</b>				
FR 2900 weekly	2,996	52	3.50	545,272
FR 2900 quarterly	5,045	4	3.50	70,630
FR 2910a (Commercial banks and state savings banks <u>only</u> )	1,490	1	0.75	1,118
FR 2910a (Federal savings banks, S&Ls, and credit unions <u>only</u> )	3,388	1	1.00	3,388
<b>Total</b>				<b>620,408</b>
<b>Proposed</b>				
FR 2900 weekly	2,996	52	3.50	545,272
FR 2900 quarterly	5,045	4	3.50	70,630
FR 2910a	4,878	1	0.75	3,659
<b>Total</b>				<b>619,561</b>
			<b>Change</b>	<b>(847)</b>

The total cost to the public is estimated to decrease from \$38,248,153 to \$38,195,936 a year, a reduction of \$52,217.<sup>13</sup>

### Sensitive Questions

These reports contain no sensitive questions as defined by OMB guidelines.

### Estimated Cost to the Federal Reserve System

The total annual cost to the Federal Reserve System for collecting and processing the FR 2900, FR 2900Q, and the FR 2910a is estimated to be \$5,326,940.

<sup>13</sup> Total cost to the public was estimated using the following formula. Percent of staff time, multiplied by annual burden hours, multiplied by hourly rate: 30% Clerical @ \$25, 45% Managerial or Technical @ \$55, 15% Senior Management @ \$100, and 10% Legal Counsel @ \$144. Hourly rate estimates for each occupational group are averages using data from the Bureau of Labor and Statistics, *Occupational Employment and Wages*, news release.