Board of Governors of the Federal Reserve System

Instructions for Preparation of

Allocation of Low Reserve Tranche and Reservable Liabilities Exemption

Reporting Form FR 2930

Effective September 2012

INSTRUCTIONS FOR PREPARATION OF

Allocation of Low Reserve Tranche and Reservable Liabilites Exemption

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, (3) all banking Edge and agreement corporations, and (4) domestic depository institutions having transaction accounts, nonpersonal time deposits, or certain Eurocurrency liabilities, satisfy Federal Reserve requirements on such liabilities. Pursuant to the Monetary Control Act of 1980, the amount of net transaction accounts subject to a reserve requirement ratio of 3 percent was set at $25 million. This so-called *low-reserve tranche* is adjusted each year.[1] The Garn-St Germain Act of 1982 established a zero percent reserve requirement on the first $2 million of reservable liabilities from reserve requirements for each institution.[2]

While the Act permits 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, the amount of the reserve requirement exemption may not exceed the amount of the low reserve tranche.

Only a single low reserve tranche and a single reservable liabilities exemption is allowed for (1) all U.S. branches and agencies of the same foreign parent bank, (2) all U.S. offices (that is the head office and all U.S. branches) of a single banking Edge or agreement corporation, and (3) all offices of a single domestic depository institution. The Report of Transaction Accounts, Other Deposits, and Vault Cash (FR 2900) is used by the Federal Reserve for the calculation of federal required reserves. In most cases, all offices of an institution must file a consolidated FR 2900; however, there are some exceptions. A foreign bank's U.S. branches and agencies located in different states or in different Federal Reserve Districts must report deposits separately to their respective Reserve Banks. The same requirement also applies to offices of a banking Edge or agreement corporation located in different states or in different Federal Reserve Districts. Domestic depository institutions may file separate FR 2900 reports for the surviving and nonsurviving entities of a merger only while operating under *operational convenience*[3] under Federal Reserve approval.

The low reserve tranche and the reservable liabilities exemption must be allocated among the following listed reporting offices that file separate FR 2900 reports:

(1) A foreign bank that has U.S. branches and agencies located in more than one state or in more than one Federal Reserve District;

(2) A banking Edge or agreement corporation that has offices located in more than one state or in more than one Federal Reserve District; and

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.

3. The Federal Reserve offers transitional, multiple account arrangements to support organizational and operational restructuring after a merger. During the one-year period following a merger, the surviving entity has two options for FR 2900 reporting and for reserve administration. Under the first option for operational convenience FR 2900 reports are filed separately for the surviving entity and the nonsurviving entity. Separate reserve requirements are calculated for the survivor and the nonsurvivor based on the separate FR 2900 reports; however, the combined institution receives only one exemption amount and one low reserve tranche. Required reserve balances are maintained in separate master accounts for the survivor and the nonsurvior. For more detailed information on operational convenience please refer to the Reserve Maintenance Manual, which may be accessed via the Federal Reserve Board's website.

(3) Any office of a domestic depository institution operating under operational convenience, where the surviving entity of a merger has requested, and the Reserve Bank has approved, to file separate FR 2900 reports after the merger date.

The FR 2930 report form is used to notify the Federal Reserve of those allocations.

Who Must Report

This report is required from U.S. branches and agencies of foreign banks, and banking Edge and agreement corporations that have offices located in more than one state or in more than one Federal Reserve District, and from domestic depository institutions operating under operational convenience that file more than one FR 2900 report. The report is filed in order to establish or change the allocation of the low reserve tranche or reservable liabilities exemption among reporting offices. Each foreign bank, banking Edge or agreement corporation, or domestic depository institution should designate one of its reporting offices to be responsible for submitting this allocation report.

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, of the same banking Edge or agreement corporation, or of the same domestic depository institution 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, by a banking Edge or agreement corporation, or by a domestic depository institution. 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.

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 transaction 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 transaction deposits at that office or group of offices.

Under What Circumstances the Report Must Be Filed

1. **To establish the initial allocation of the low reserve tranche and reservable liabilities exemptions.**

   (a) This report must be filed at the time a U.S. branch or agency of a foreign bank or a branch of a banking 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*.

   (b) This report must be filed at the time a surviving entity of a merger elects, and is approved by the Federal Reserve, to operate under operational convenience where FR 2900 reports are filed separately for the survivor and the nonsurvivor and separate reserve requirements are calculated based on the separate FR 2900 reports.

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) An institution may change the allocation of the low reserve tranche or reservable liabilities exemption among reporting offices effective at the beginning of each calendar year.

(b) When a new branch or agency of a foreign bank or a new branch of a banking Edge or agreement corporation is established, the tranche allocation for any or all of the reporting offices of a foreign bank or banking 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 an institution during each reserve computation period, or if the existing allocation of the low reserve tranche is having an adverse affect on operations of the institution, the allocation may be changed effective the first reserve computation period beginning in any calendar month.

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 the Federal Reserve Bank addresses can be found at http://www.federalreserve.gov/fraddress.htm.

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.