

## Corporate & Financial Weekly Digest

October 28, 2011 by [Jeffrey M. Werthan](#)

### **Federal Reserve Announces Annual Indexing Related to Reserve Requirements Under Regulation D**

The Federal Reserve Board (the Board) on October 26 announced the annual indexing of the reserve requirement exemption amount and of the low reserve tranche for calendar 2012. These amounts are used in the calculation of reserve requirements of depository institutions. The Board also announced the annual indexing of the nonexempt deposit cutoff level and the reduced reporting limit that will be used to determine deposit reporting panels effective in 2012.

All depository institutions must hold a percentage of certain types of deposits as reserves in the form of vault cash, as a deposit in a Federal Reserve Bank, or as a deposit in a pass-through account at a correspondent institution. Reserve requirements currently are assessed on the depository institution's net transaction accounts (mostly checking accounts). Depository institutions must also regularly submit deposit reports of their deposits and other reservable liabilities. For net transaction accounts in 2012, the first \$11.5 million, up from \$10.7 million in 2011, will be exempt from reserve requirements. A three percent reserve ratio will be assessed on net transaction accounts over \$11.5 million up to and including \$71.0 million, up from \$58.8 million in 2011. A 10 percent reserve ratio will be assessed on net transaction accounts in excess of \$71.0 million. These annual adjustments, known as the low reserve tranche adjustment and the reserve requirement exemption amount adjustment, are based on growth in net transaction accounts and total reservable liabilities, respectively, at all depository institutions between June 30, 2010 and June 30, 2011.

For depository institutions that report weekly, the low reserve tranche adjustment and the reserve requirement exemption amount adjustment will apply to the 14-day reserve computation period that begins Tuesday, November 29, 2011, and the corresponding 14-day reserve maintenance period that begins Thursday, December 29, 2011. For depository institutions that report quarterly, the low reserve tranche adjustment and the reserve requirement exemption amount adjustment will apply to the seven-day reserve computation period that begins Tuesday, December 20, 2011, and the corresponding seven-day reserve maintenance period that begins Thursday, January 19, 2012.

The Board also announced changes in two other amounts, the nonexempt deposit cutoff level and the reduced reporting limit, that are used to determine the frequency

with which depository institutions must submit deposit reports. The linked Federal Register notice contains a description of the new boundaries for deposit reporting that will be effective in 2012.

To view the notice, click [here](#).

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