

FEDERAL RESERVE BANK OF SAN FRANCISCO
101 MARKET STREET, SAN FRANCISCO, CALIFORNIA

October 29, 2004

**REGULATION D:
LOW RESERVE TRANCHE FOR 2005**

To State Member Banks, Bank
Holding Companies, U.S. Branches
and Agencies of Foreign Banks,
and Others Concerned,
in the Twelfth Federal Reserve District

Low Reserve Tranche and Reserve Requirement Exemption Amount for 2005 (R-1213)

The Federal Reserve Board has announced the annual indexing of the low reserve tranche and of the reserve requirement exemption amount for 2005. 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 September 2005.

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 2005, the first \$7.0 million, up from \$6.6 million in 2004, will be exempt from reserve requirements. A 3 percent reserve ratio will be assessed on net transaction accounts over \$7.0 million up to and including \$47.6 million, up from \$45.4 million in 2004. A 10 percent reserve ratio will be assessed on net transaction accounts in excess of \$47.6 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, 2003 and June 30, 2004.

For depository institutions that report weekly, the low reserve tranche adjustment and the reserve requirement exemption amount adjustment will apply to the fourteen day reserve computation period that begins Tuesday, November 23, 2004 and the corresponding fourteen day reserve maintenance period that begins Thursday, December 23, 2004.

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 21, 2004, and the corresponding seven day reserve maintenance period that begins Thursday, January 20, 2005.

The Board also announced increases 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.

Additional Information

All circulars and documents are available on the Internet through the Federal Reserve Bank of San Francisco's Internet site, at <http://www.frbsf.org/banking/letters>.

For additional information about low reserve tranche and reserve requirement exemption amount for 2005, please contact our Statistics Department at (415) 974-3098.

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[Attachment: Docket R-1213](#)