

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

October 19, 2005

**BANKING SUPERVISION AND REGULATION:
REGULATION D**

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

Depository Institutions Reserve Requirements for 2006 (Docket R-1236)

The Federal Reserve Board has announced the annual indexing of the low reserve tranche and of the reserve requirement exemption amount for 2006. 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 2006.

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 reports of their deposits and other reservable liabilities.

For reserve requirements in 2006, the first \$7.8 million of net transaction accounts (up from \$7.0 million in 2005), will be exempt from reserve requirements. A 3 percent reserve ratio will be assessed on net transaction accounts over \$7.8 million up to and including \$48.3 million (up from \$47.6 million in 2005). A 10 percent reserve ratio will be assessed on net transaction accounts in excess of \$48.3 million.

The annual indexing of the low reserve tranche and the reserve requirement exemption amount is based on growth in net transaction accounts and total reservable liabilities, respectively, at all depository institutions between June 30, 2004 and June 30, 2005.

For depository institutions that report weekly, the low reserve tranche and the reserve requirement exemption amount for 2006 will first apply to the fourteen-day reserve computation period that begins Tuesday, November 22, 2005 and the corresponding fourteen-day reserve maintenance period that begins Thursday, December 22, 2005.

For depository institutions that report quarterly, the low reserve tranche and the reserve requirement exemption amount for 2006 will first apply to the seven-day reserve computation period that begins Tuesday, December 20, 2005, and the corresponding seven-day reserve maintenance period that begins Thursday, January 19, 2006.

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. The attached Federal Register notice contains a description of the new boundaries for deposit reporting that will be effective September 2006.

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 the reserve requirements, please contact our Banking Supervision and Regulation Department at (415) 974-3098.

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[Attachment: Docket R-1236](#)