

Reserve Maintenance Seminar



September 2004

Reserve Maintenance Seminar

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September 2004



Agenda

- History and purpose of reserves
- Reserve requirement calculation
- Clearing balance requirements
- As-of adjustments
- Account maintenance and position
- Deficiencies, penalties and waivers
- ReserveCalc

History & Purpose of Reserves



Overview

- Legislation affecting reserve requirements
- Goals of Monetary Policy
- The link between Monetary Policy and the Reserves Market
- Instruments used in the implementation of Monetary Policy

Federal Reserve Act (1913)

- Section 19 of the Act empowers the Federal Reserve to require depository institutions to hold a portion of their deposits as a reserve.
- This fractional reserve system is one of the tools used to implement monetary policy.

Federal Reserve Act (1913)

- Section 19 of the Act is codified in Regulation D.
- Regulation D details the following:
 - Definition of a deposit
 - Definition of types of deposits
 - Computation and maintenance rules for reserve requirements
 - Form of reserves

Federal Reserve Act (1913)

- Regulation D details the following: (continued)
 - Deductions from reserve requirements
 - Carryover rules
 - Transitional adjustments for mergers
 - Supplemental and emergency reserve requirements
 - Penalties
 - International Banking Facilities

International Banking Act (1978)

- Brought foreign banks in the U.S. within the federal regulatory framework
- “Leveled the playing field” between domestic and foreign banks
- Key provision for reserve requirements:
ALL U.S. branches and agencies of foreign banks are subject to reserve requirements

Monetary Control Act (1980)

- Reformed reserve requirements to end the problem of banks leaving the Federal Reserve System
- Imposes reserve requirements on all institutions that have transaction accounts, non-personal savings and time deposits, or Eurocurrency liabilities
- Established an exemption amount

Monetary Control Act (1980)

- Key provisions for reserve requirements:
ALL depository institutions are subject to reserve requirements including:
 - Member/nonmember commercial banks
 - Thrift institutions (including credit unions)
 - U.S. branches and agencies of foreign banks
 - Edge and agreement corporations
- Created a two week computation and maintenance periods to allow flexibility in managing reserves

Garn St. Germain Act (1982)

- Includes a number of provisions to facilitate deregulation of the banking industry
- Key provisions for reserve requirements:
 - Requires that institutions with less than \$2 million in reservable liabilities be exempt from reserve requirements
 - Requires that this amount be indexed annually based on aggregate growth of reservable liabilities

Garn St. Germain Act (1982)

- Key provisions for reserve requirements:
Changed computation and maintenance periods for transaction accounts to contemporaneous from lagged

Riegle-Neal Interstate Banking and Efficiency Act (1994)

- Allows interstate banking and branching
- Key provisions for reserve requirements:
Allowing banks to have a multi-state presence, required significant changes to the Federal Reserve account structure
- Subaccounts were created

Who Must Report?

Effective with the September 22, 2003 report, the criteria for determining whether certain depository institutions will file the FR 2900 weekly or quarterly was modified.

Who Must Report?

Applies to all institutions except for U.S. branches and agencies of foreign banks and Edge Agreement corporations

2004 Deposit Reporting Requirements

Exempt		Nonexempt	
Net transaction accounts \leq \$6.6 million		Net transaction accounts $>$ \$6.6 million, OR Total deposits \geq \$1.074 billion reduced reporting limit	
Nonreporters	Annual Reporters	Quarterly Reporters	Weekly Reporters
Total deposits \leq \$6.6 million	Total deposits $>$ \$6.6 million	Total deposits $<$ \$161.2 million	Total deposits \geq \$161.2 million

Who Must Report?

The Federal Reserve will continue to screen institutions, and inform each institution eligible for reduced reporting

Who Must Report?

FR 2900 weekly: commercial banks, savings banks, savings and loan associations and credit unions

- Total deposits greater than or equal to the “nonexempt deposit cutoff” and “net transaction accounts” above the indexed level, or
- Total deposits above the “reduced reporting limit”, regardless of the level of “net transaction accounts”

Who Must Report?

FR 2900 quarterly: commercial banks, savings banks, savings and loan associations and credit unions

- Total deposits below the “nonexempt deposit cutoff”, and “net transaction accounts” above the indexed level

Who Must Report?

FR 2910a: commercial banks, savings banks, savings and loan associations and credit unions

- Total deposits between the “exemption amount” and below the “reduced reporting limit”, and “net transaction accounts” below the indexed level

Uses of Reserves Data

The primary use of reserves information is for implementing and supporting monetary policy.

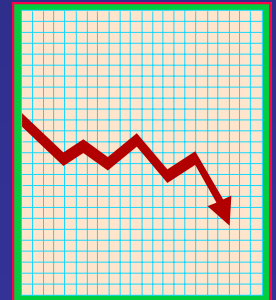


Monetary Policy & the Reserves Market

- The basic link between monetary policy and the economy is through the market for reserves, more commonly known as the federal funds market.
- Institutions borrow and lend on an overnight basis.
- The interest rate charged for the use of these funds is known as the federal funds rate.

Importance of Fed Funds Rate

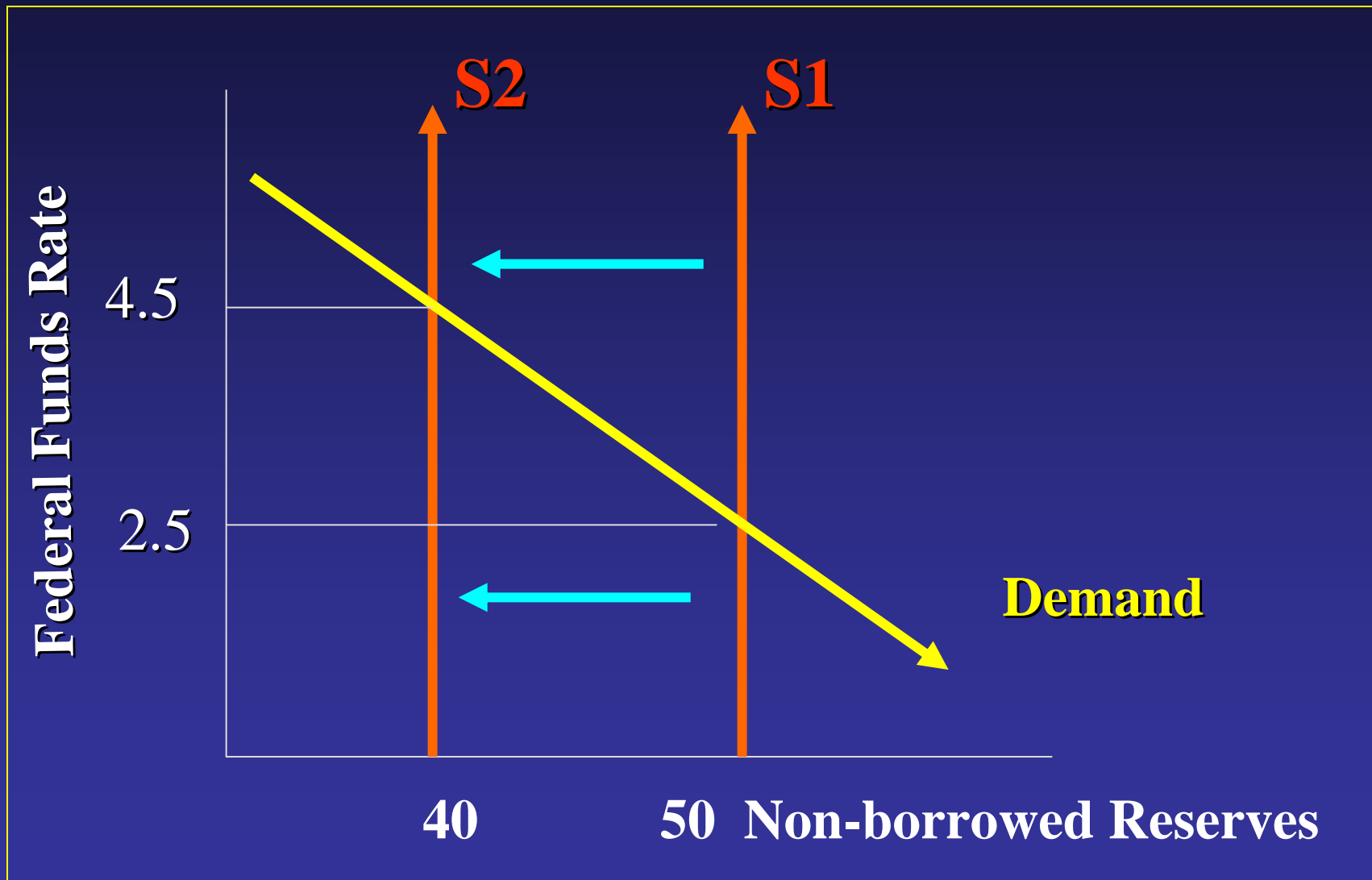
A change in the demand or supply of reserves will result in a change in the federal funds rate which in turn tends to spread quickly to other interest rates.



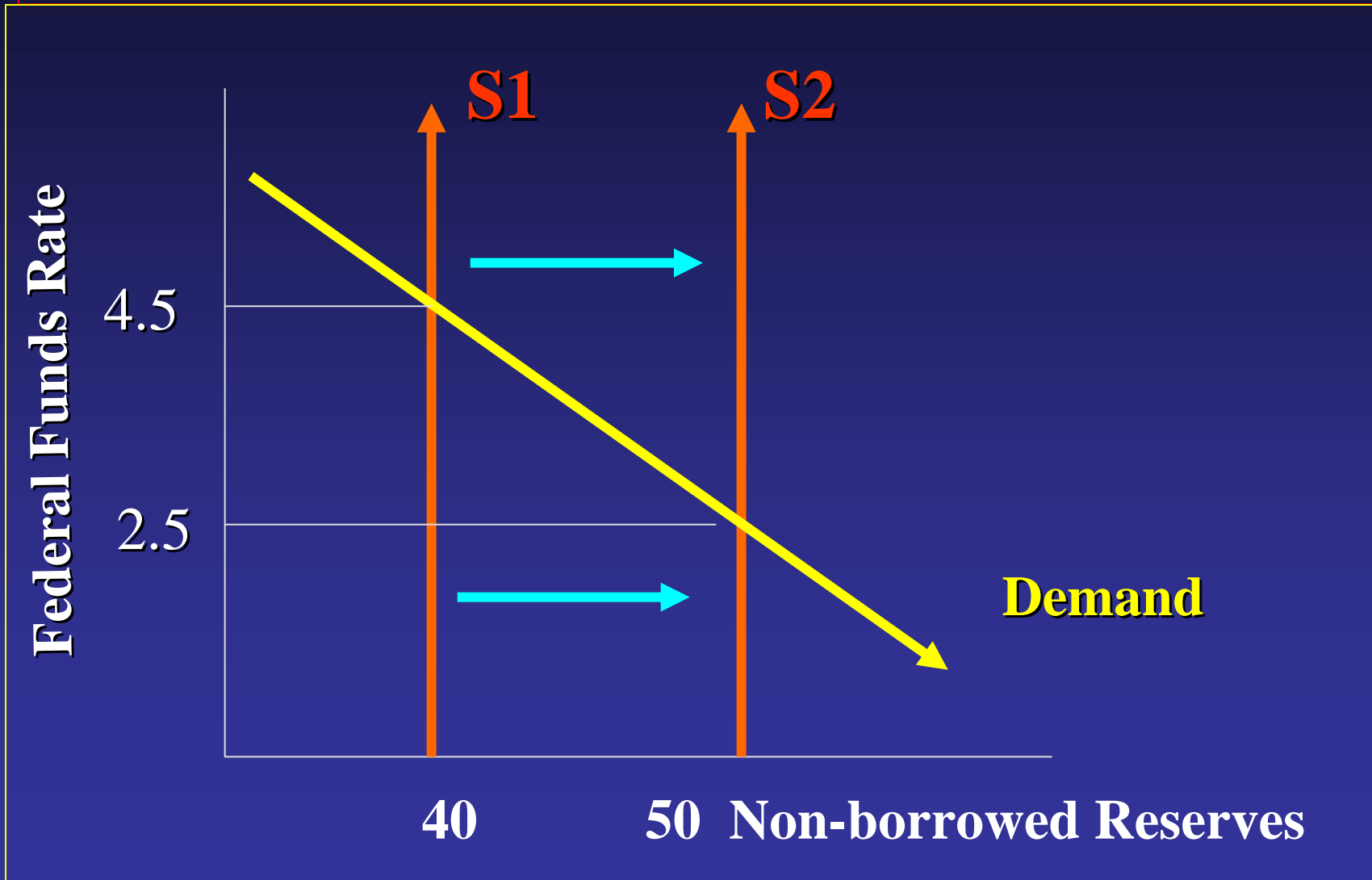
Targeting the Fed Funds Rate

- The Federal Open Market Committee defines the target fed funds rate necessary to promote the goals of maximum employment, stable prices, and moderate long-term interest rates.
- Open Market Operations involve adjustment in the supply of bank reserves, relative to reserve demand, in order to achieve and maintain desired financial market conditions.

Draining Reserves



Adding Reserves



Reserves Market

Demand in the Reserves Market is determined by each bank's need to meet reserve requirements as defined in Regulation D.

Reserves Market

- The supply of reserves is the amount of reserves currently in the market which consists of:
 - Discount Window Lending (Borrowed Reserves)
 - Nonborrowed Reserves - Influenced by the purchase or sale of securities by the Open Market Trading Desk

Monetary Policy

- The tools used to implement monetary policy :
 - Reserve Requirements
 - Discount Window Lending
 - Open Market Operations

Reserve Requirement Calculation

Marc Plotsker



Objectives

- Computation Period
- Maintenance Period
- Exemption
- Low Reserve Tranche
- Reserve Requirement Calculation
- Transitional Adjustments for Mergers

Computation Period

Weekly FR 2900:

- The computation period for weekly FR 2900 reporters consists of 14 consecutive days beginning on a Tuesday and ending on the second Monday thereafter.

Weekly Reporters (FR 2900) Computation Period

Example

FR 2900 Reporting
Periods

Computation
Period

**08/17/04 (Tues) to
08/23/04 (Mon)**

**08/24/04 (Tues) to
08/30/04 (Mon)**

**8/17/04 (Tues) to
8/30/04 (Mon)**



Reserve Maintenance Period

Weekly FR 2900:

- A reserve maintenance period for FR 2900 reporters consists of 14 consecutive days beginning on a Thursday and ending on the second Wednesday thereafter.

Example

09/16/04 (Thurs) to 09/29/04 (Wed).

Reserve Maintenance Period

- The reserve requirement to be satisfied during a 14-day reserve maintenance period is based on the daily average level of net transaction accounts during the computation period.

Reserve Maintenance Period

- The weekly reserve maintenance period starts 30 days after the beginning of a computation period.

Computation Period	Maintenance Period
08/17/04 to 08/23/04 08/24/04 to 08/30/04	09/16/04 to 09/29/04

Reserve Maintenance Period

- The same lag is used in the computation of vault cash which is applied to satisfy reserve requirements.

Vault Cash	Computation Period	Maintenance Period
08/17/04 to 08/30/04	08/17/04 to 08/30/04	09/16/04 to 09/29/04

Reserve Computation Period

Quarterly FR 2900:

- The reserve computation period for quarterly FR 2900 reporters consists of 7 consecutive days beginning on a Tuesday and ending on the following Monday.

Example

9/21/04 (Tues) to 9/27/04 (Mon)

Reserve Maintenance Period

- The reserve requirement to be satisfied during each quarterly reserve maintenance period is based on the daily average level of reservable liabilities during the 7-day computation period.

Computation Period (Quarterly)	Maintenance Periods
09/21/04 to 09/27/04	10/27/04 to 01/19/05

Reserve Maintenance Period

- A quarterly reserve maintenance cycle usually consists of 13 successive one week maintenance periods that begin on the third Thursday following the end of the computation period.

Quarterly Reserve Maintenance

Computation Period Cycle (Includes Vault Cash)	Maintenance Periods (13 Weeks)
09/21/04 to 09/27/04	10/27/04 to 01/19/05
12/21/04 to 12/27/04	01/26/05 to 04/13/05

Exemption Level

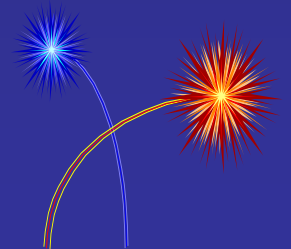
- The exemption level is the amount of an institution's net transaction accounts that is subject to a reserve requirement of zero percent.
- The exemption amount is adjusted annually.
- When calculating reserve requirements, the exemption amount is subtracted from net transaction accounts before the reserve ratios are applied.

Low Reserve Tranche

- The low reserve tranche is the amount of an institution's net transaction accounts that is subject to a reserve requirement of 3 percent.
- The low reserve tranche is adjusted annually.

Reserve Tranche

- The amount of an institution's reservable liabilities that is over the low reserve tranche is subject to a reserve requirement of 10 percent.
- Adjusted annually



Low Reserve Tranche

Example:

Net Transaction Accounts	\$ 100m
• Reserved at 0 Percent (exemption amount)	\$ 6.6m
• Reserved at 3 percent $\$45.4m - \$6.6m =$ (low reserve tranche)	\$38.8m
• Reserved at 10 percent $\$100m - \$45.4m =$ (amount above low reserve tranche)	\$54.6m

Low Reserve Tranche

- Each depository institution that files the FR 2900 report is allocated the full exemption amount and low reserve tranche.



FR 2930 Annual Report

- Allocation of Low Reserve Tranche and Reservable Liabilities Exemption.
- Adjusted annually

FR 2930 Annual Report

- The following institutions share a single exemption amount and a single low reserve tranche even though they file separate FR 2900 reports:
 - All U.S. Branches and Agencies that have the same foreign direct parent bank, and
 - Edge and Agreement corporations

Low Reserve Tranche

Example

ABC Bank in Tokyo has three separately chartered branches located in the U.S.

These three U.S. branches would share a single exemption and a single low reserve tranche.

Allocation of Low Reserve Tranche and Reservable Liabilities Exemption for U.S. Branches and Agencies of Foreign Banks and Edge and Agreement Corporations

Effective for the 14-day reserve computation period beginning Tuesday, _____, _____.

List below for each office, or for each group of offices filing a single aggregated Report of Transaction Accounts, Other Deposits and Vault Cash (FR 2000), the amount of the low reserve tranche (Column 3) and the amount of the reservable liabilities exemption (Column 4) to be assigned to each office or group of offices.

PLEASE READ INSTRUCTIONS PRIOR TO COMPLETION OF THIS FORM.

Column 1	Column 2	Column 3		Column 4	
Name and location of each office reporting on the FR 2000	Federal Reserve District	Amount of Low Reserve Tranche Allocation*		Amount of Reservable Liabilities Exemption Allocation#	
		MI	Thou	MI	Thou
TOTAL					

* If additional space is necessary, please attach a separate sheet.

I certify that the information shown on this report is correct.

Name and address of reporting institution

Please return to:

A copy of this report **must** be submitted to **each** Federal Reserve Bank in whose District an office or group of offices that is allocated a portion of the low reserve tranche or the reservable liabilities exemption is located, one week prior to the computation period for which the allocation reported on this form is to be effective. (Please file even if these allocations are zero.) See the instructions for this report for detailed information pertaining to the allocations and for a list of addresses for each Federal Reserve Bank.

\$46.5 _____

\$4.9 _____

Reserve Ratios

- Reserve requirements are calculated by applying the reserve ratios to the daily average of net transaction accounts in a computation period.



Reserve Ratios

- Reserve ratios are applied to the net transaction accounts of all U.S. depository institutions that are required to file the FR 2900.
- The same reserve ratios are applied to weekly and quarterly FR 2900 reporters.

Reserve Ratios

Effective November 25, 2003

Categories

Reserve Ratios

Net Transaction Accounts:

From \$0 to (& including) \$6.6m

0 Percent

Over \$6.6m to (& including) \$45.4m

3 Percent

Over \$45.4m

10 Percent

Nonpersonal savings & time deposits

0 Percent

Eurocurrency Liabilities

0 Percent

Requirement Calculation

- Four steps to calculate your Reserve Requirement (RR):
 1. Calculate Daily Average Net Transaction Accounts
 2. Apply Exemption
 3. Apply Reserve Ratios
 4. Add RR at 3% to RR at 10% for Total RR

STEP 1: Calculate Daily Average NTA

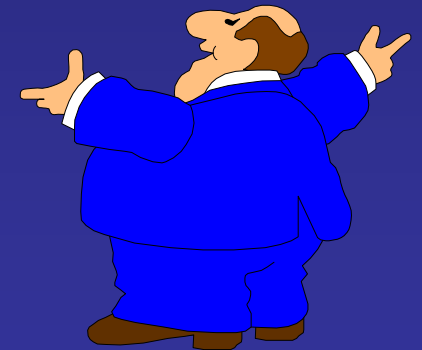
- Total FR 2900 Week 1 and Week 2 data for:
 - Line A3, Total Transaction Accounts
 - Line B1, Due From U.S. Banks
 - Line B2, CIPC
- $\text{NTA} = \text{Total Transaction Accounts (Line A3)}$
 - less Due From U.S. Banks (Line B1)
 - less CIPC (Line B2).
- $\text{Daily Average NTA} = \text{NTA}/14$

STEPS 2 & 3: Apply Exemption & Reserve Ratios

- Calculate amount of net transaction accounts (NTA) that exceeds the exemption.
- Apply Reserve Ratios:
 - (1) Multiply by 3 percent the amount of Daily Average NTA $>$ \$6.6 million but \leq Low Reserve Tranche \$45.4 million
 - (2) Multiply by 10 percent the amount of Daily Average NTA $>$ Tranche \$45.4 million

STEP 4: Sum Requirement

- Daily Average Reserve Requirement (RR) equals 3% Requirement plus 10% Requirement



Vault Cash

- Vault Cash is calculated by adding week 1 and week 2 together, then dividing by 14 (similar to how NTA was calculated) to derive the daily average.
- Vault Cash is used to satisfy required reserves, and is factored in after reserve requirements and the tranche loss adjustment have been calculated.

Reserve Requirement Calculation Workshop



Marc Plotsker

Step One- Calculate Net Transaction Accounts

Sample FR 2900- Week 1

(\$ in thousands)

	Tues	Wed	Thur	Fri	Sat	Sun	Mon	TOTAL
	(col.1)	(col.2)	(col.3)	(col.4)	(col.5)	(col.6)	(col.7)	(col.8)
A1a	0	0	0	0	0	0	0	0
A1b	0	0	0	0	0	0	0	0
A1c	75,000	150,000	125,000	128,000	128,000	128,000	35,000	769,000
A2	5,000	5,000	3,000	3,000	3,000	3,000	3,000	25,000
A3	80,000	155,000	128,000	131,000	131,000	131,000	38,000	794,000
B1	1,000	1,000	1,000	1,000	1,000	1,000	1,000	7,000
B2	20,000	75,000	50,000	50,000	50,000	50,000	5,000	300,000

Step One- Calculate Net Transaction Accounts

Sample FR 2900- Week 2

(\$ in thousands)

	Tues (col.1)	Wed (col.2)	Thur (col.3)	Fri (col.4)	Sat (col.5)	Sun (col.6)	Mon (col.7)	TOTAL (col.8)
A1a	0	0	0	0	0	0	0	0
A1b	0	0	0	0	0	0	0	0
A1c	200,000	250,000	50,000	100,000	100,000	100,000	100,000	900,000
A2	3,000	3,000	3,000	3,000	3,000	3,000	3,000	21,000
A3	203,000	253,000	53,000	103,000	103,000	103,000	103,000	921,000
B1	2,000	1,000	1,000	1,000	1,000	1,000	1,000	8,000
B2	50,000	100,000	10,000	50,000	50,000	50,000	40,000	350,000

Step One- Calculate Daily Average NTA

FR 2900

	Week 1	+	Week 2	=	<u>Total</u>
Total Transaction Accounts (Line A3)	_____	+	_____	=	_____
Due From U.S. Banks (Line B1)	_____	+	_____	=	_____
<u>Cash Items In Process of Collection (Line B2)</u>	_____	+	_____	=	_____

	<u>Total</u>
Total Transaction Accounts (Line A3)	_____
- Due From U.S. Banks (Line B1)	_____
- <u>Cash Items In Process of Collection (Line B2)</u>	_____
= NTA	_____
NTA/14 = Daily Average NTA	_____

Step Two- Apply Exemption

Daily Average NTA _____
Exemption -6,600
Daily Average NTA > Exemption _____

Step Three- Apply Reserve Ratios

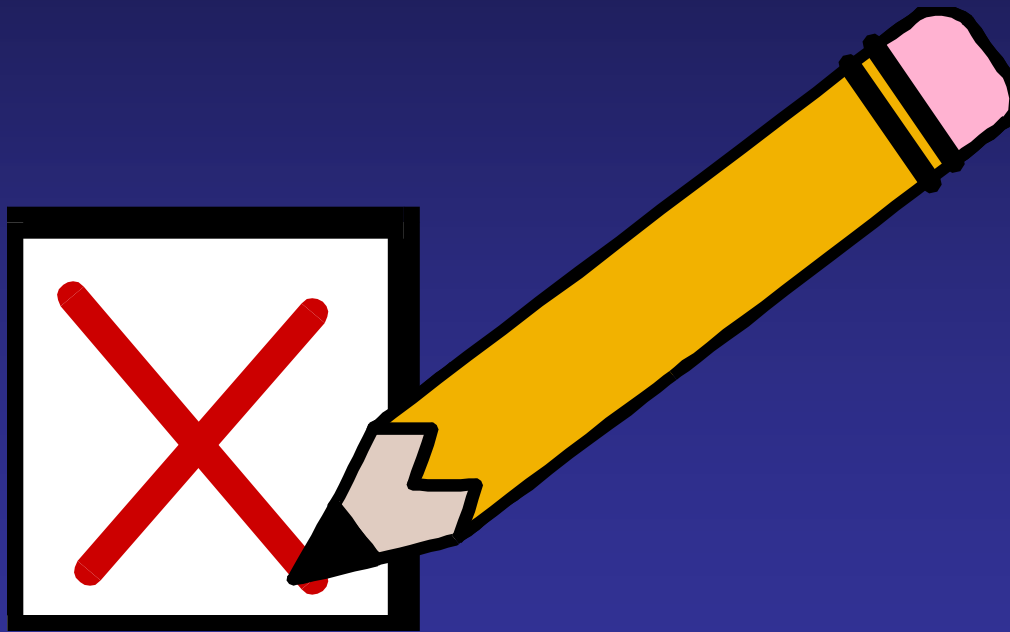
Daily Average NTA > 6,600 but \leq Tranche (45,400) _____
(Daily Average NTA > 6,600 but \leq 45,400) x 3% = **RR at 3%** _____

Daily Average NTA > Tranche (45,400) _____
(Daily Average NTA > 45,400) x 10% = **RR at 10%** _____

Step Four- Add RR at 3% to RR at 10%

RR at 3% + RR at 10% = **Daily Average RR** _____

Answer



Step One- Calculate Net Transaction Accounts

FR 2900

Week 1 + Week 2 = Totals

Total Transaction Accounts (Line A3)	794,000	+	921,000	=	1,715,000
- Due From U.S. Banks (Line B1)			7,000	+	8,000 = 15,000
- Cash Items In Process of Collection (Line B2)			300,000	+	350,000 = <u>650,000</u>

	<u>Total</u>
Total Transaction Accounts (Line A3)	1,715,000
- Due From U.S. Banks (Line B1)	15,000
- <u>Cash Items In Process of Collection (Line B2)</u>	<u>650,000</u>
= NTA	1,050,000

NTA/14 = Daily Average NTA 1,050,000/14 = **75,000**

75,000 is the **Daily Average NTA**. We will use to calculate the **Daily Average RR**

Step Two- Apply Exemption

Daily Average NTA	75,000
- Exemption	(6,600)
=Daily Average NTA > Exemption	<hr/> 68,400

Step Three- Apply Reserve Ratios

Daily Average NTA > 6,600 but \leq Tranche (45,400)	38,800
(Daily Average NTA > 6,600 but \leq 45,400) x 3% = RR at 3%	$38,800 \times .03 =$ 1,164

Daily Average NTA > Tranche (45,400)	29,600
(Daily Average NTA > 45,400) x 10% = RR at 10%	$29,600 \times .10 =$ 2,960

Step Four- Add RR at 3% to RR at 10%

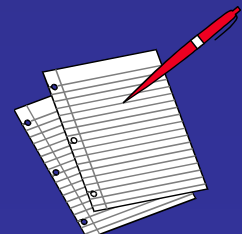
RR at 3% + RR at 10% = Daily Average RR	<u>4,124</u>
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Report of Required Reserves

- The Federal Reserve Bank of New York calculates reserve requirements and provides a report of required reserves to depository institutions before the start of each maintenance period.

Report of Required Reserves

- A preliminary report of required reserves is delivered via fax or email to each depository institution on the second Thursday of a maintenance period only if FR 2900 data for that corresponding computation period is incomplete.



Report of Required Reserves

- However, for those institutions with complete data, a final report of required reserves is delivered on the business day following the day we receive the complete data.

District: 02

FEDERAL RESERVE BANK OF NEW YORK
REPORT OF REQUIRED RESERVES
(DAILY AVERAGES IN THOUSANDS)

XRPA016U
RUN DATE: 040611
RUN TIME: 190115

123456789 123456789

CLASS BANK AND TRUST
1123 FEDERAL RESERVE STREET
NEW YORK NY 11111

XXXXXXXXXXXXXXXXXXXXXXXXXXXX
xx FINAL xx
XXXXXXXXXXXXXXXXXXXXXXXXXXXX

RESERVES REQUIRED FOR BI-WEEKLY MAINTENANCE PERIOD FROM 5/27/04 to 06/09/04

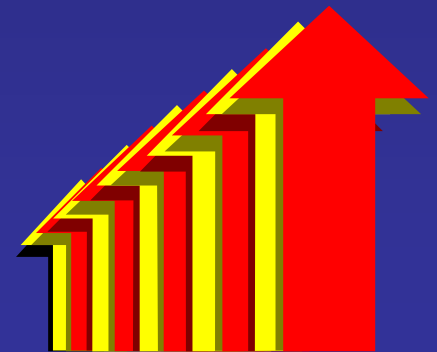
CATEGORY	DAILY AVG DEPOSITS (000)	PERCENT APPLIED	DAILY AVG REQUIRED (000)	
RESERVABLE LIABILITIES REPORTED				
FROM 4/27/04 TO 5/10/04				
NET TRANSACTION ACCOUNTS				
EXEMPT	6,600			
UP TO (\$ 38.800) MILLION	38,800	3.000	1,164	
OVER (\$ 38.800) MILLION	10,000	10.000	1,000	
RESERVE REQUIREMENT			2,164	
LESS TRANCHE LOSS ADJUSTMENT				800
LESS USABLE PORTION OF			319	
319 REPORTED VAULT CASH				
FROM 04-27-04 TO 05-10-04				
RESERVES TO BE MAINTAINED			1045	
CLEARING BALANCE REQUIREMENT			50	
TOTAL BALANCE REQUIRED WITH FRB NEW YORK				1,095

Transitional Adjustment for Mergers

- When two institutions merge, the surviving institution's reserve requirement is higher than the combined reserve requirements of the merging institutions.
- This is due to the loss of the low reserve tranche and exemption of the nonsurviving institution.

Transitional Adjustment for Mergers

- The increase in the requirement is phased in over a seven quarter period.



Example of a Transitional Adjustment for a Merger

	Bank A (nonsurvivor)	Bank B (survivor)	Bank AB (merged survivor)
Daily Average NTA	100,000	150,000	250,000
-Exempt	-6,600	-6,600	-6,600
=Daily Average NTA > 6,600	93,400	143,000	243,000
<hr/>			
Daily Average NTA > 6,000 but ≤ 45,400 x .03 = RR at 3%	1,164	1,164	1,164
RR > 45,400 x .10 = RR at 10%	5,460	10,460	20,460
Daily Average RR	6,624	11,624	21,624
<hr/>			
Merged RR (Bank AB)			21,624
Sum of Separate RR	6,624 + 11,624 =		(18,248)
Difference is the Tranche Loss Effect	21,624 - 18,248		3,376
Tranche Loss Adjustment = (Tranche Loss Effect) x (.875)	3,376 x .875 =		<u>2,954</u>

Transitional Adjustment for Mergers

Maintenance periods occurring during quarters following merger	Number of weeks In quarter	Percentage applied to tranche loss effect to determine amount to be subtracted from reserve requirement
Quarter 1	16	87.5
Quarter 2	12	75.0
Quarter 3	14	62.5
Quarter 4	12	50.0
Quarter 5	14	37.5
Quarter 6	12	25.0
Quarter 7	14	12.5
Quarter 8 and succeeding		0

Summary

- Computation Period
- Maintenance Period
- Exemption
- Low Reserve Tranche
- Reserve Requirement Calculation
- Transitional Adjustments for Mergers

Clearing Balance Requirements

Dean Cornier

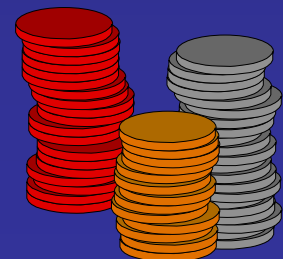


Objectives

- Clearing Balance Requirement Policy
 - Define clearing balance requirement
 - When and why policy was established
- Why establish and use clearing balances
- Policies and Procedures regarding implementation of clearing balance requirements

Objectives

- Earnings Credits
 - Priced versus non-priced services
 - Calculation of earnings credits
 - Services eligible to use earnings credits



Clearing Balance Requirement Policy

- A clearing balance requirement is an amount that an institution may contract (or be required) to maintain with a Reserve Bank in addition to any reserve balance requirement.
- Clearing balance requirements were implemented as a result of the Federal Reserve Act (as amended by the Monetary Control Act of 1980) and the International Banking Act of 1978.

Clearing Balance Requirement Policy

- A Reserve Bank may impose a clearing balance requirement if an institution has a history of frequent overnight or daylight overdrafts.
- Balances held to meet a clearing balance requirement, up to a limit, generate earnings credits that can be used to offset service charges an institution may incur through use of eligible Reserve Bank services.

Clearing Balance Requirement Policy

- Earnings credits on maintained clearing balances provide a return comparable to what the institution would receive on funds held with a correspondent.
- The institution can use earnings credits to offset Federal Reserve service charges that settle in its own account.

Policies and Procedures

- Must have a Federal Reserve Master Account
- \$25 thousand minimum clearing balance requirement
- Same maintenance period used for reserve requirements applies to clearing balance requirements
- Expected to maintain a daily average balance within a range (Clearing Balance Band).

Policies and Procedures

- Clearing Balance Band is equal to the greater of \$25,000 or two percent of clearing balance requirement.

Example 1

Clearing Balance Requirement is \$400,000

Two Percent of \$400,000 is \$8,000

Therefore, the Clearing Balance Band is \$25,000.

Policies and Procedures

Example 2

Clearing Balance Requirement is \$1,500,000

Two Percent of \$1,500,000 is \$30,000

Therefore, the Clearing Balance Band is \$30,000.

Policies and Procedures

- If an institution fails to maintain the daily average balance above the low end of the Clearing Balance Band, then it is considered deficient and a penalty may be imposed.
- If an institution maintains daily average balances in excess of the clearing balance requirement but within the Clearing Balance Band, additional earnings credits are generated.

Policies and Procedures

- Clearing balance accounts are monitored for both overnight and daylight overdrafts, with penalties imposed if overdrafts occur.
- As-of adjustments can be applied to clearing balance accounts
- Clearing balance requirements can be changed as often as every maintenance period.

Policies & Procedures

- Institutions can increase or decrease the level of earnings credits to maintain an amount sufficient to cover billable charges.
- Changes to earnings credits result from changing the clearing balance requirement.

Policies & Procedures

- Financial Services
 - Clearing Balance Calculator
 - WWW.FRBSERVICES.ORG

Policies & Procedures

- To change a clearing balance requirement an institution must do the following:
 - Contact the Deposit Reports Division in writing and request a change.
 - Indicate the current clearing balance, new clearing balance and effective date for the change. Deposit Reports Division staff require 5 days notice prior to the effective date of the change.
 - The effective date of a clearing balance change must be the first day of a maintenance period.

Policies & Procedures

- Correspondence can be addressed to:
The Federal Reserve Bank of New York
Attn: Deposit Reports Division
33 Liberty Street
New York, New York 10045
- Alternately, correspondence can be faxed
to: (212) 720 - 5025

Why Use Clearing Balances

- To hold balances above reserve requirement in order to facilitate clearing needs
- To generate earnings credits to pay for priced services

Earnings Credits

- Earnings credits can only be used to offset charges for Federal Reserve priced services
- The following are considered priced services:
 - Automated Clearing House Services
 - Funds Transfer
 - Commercial Check Clearing and Collection Services
 - Payor Banks
 - Return Checks

Earnings Credits

- The following are also considered priced services :
 - Securities Safekeeping Services
 - Federal Reserve Float
 - Any new services which the Federal Reserve system offers, including but not limited to, Payment Services that affect electronic transfer of funds

Earnings Credits

- Earnings credits cannot be used to offset charges from non-priced services.
- Non-priced services are those services provided to institutions which are necessary for institutions to monitor and manage their account. Non-priced services are:
 - Accounting Information Services
 - Cash Management Services

Earnings Credits

Eligible earnings credits are calculated based on the following formula every maintenance cycle:

$$[(\text{Eligible Clearing Balances} \times 90 \text{ Percent} \times \text{Average Discounted T-Bill rate}) + (\text{Eligible Clearing Balance} \times \text{MRR} \times \text{Average Federal Funds Rate})] \times \text{Days Carried} / 360 \text{ days} = \text{Earnings Credits}$$

where:

Eligible Clearing Balance = the sum of the institution's actual daily clearing balance (up to the maximum clearing balance band) divided by the days in the maintenance period (either 7 or 14 days)

90 Percent = the eligible clearing balance is multiplied by 90 Percent, to adjust for the reserve requirement imputed to the Reserve Banks (Referred to as the Marginal Reserve Ratio on your statement)

Earnings Credits

Eligible earnings credits are calculated based on the following formula every maintenance cycle:

$$[(\text{Eligible Clearing Balances} \times 90 \text{ Percent} \times \text{Average Discounted T-Bill rate}) + (\text{Eligible Clearing Balance} \times \text{MRR} \times \text{Average Federal Funds Rate})] \times \text{Days Carried} / 360 \text{ days} = \text{Earnings Credits}$$

where:

Discounted T-Bill Rate =
or "Earnings Credit Rate"

90 percent of the rolling 13-week average of the annualized coupon-equivalent yield of three-month Treasury bill in the secondary market.

MRR =

the depository institution's calculated marginal reserve rate. A depository institution that meets its reserve requirement entirely with vault cash is assigned a marginal reserve requirement of zero in this calculation.

Average Federal Funds Rate =

weekly average Federal Funds Rate (FF)

Earnings Credits

Marginal Required Reserve Rate (MRR) is defined as:

- Zero for Net Transaction accounts \leq \$6.6 million
- 3% for Net Transaction accounts $>$ \$6.6 million and \leq \$45.4 million
- 10% for Net Transaction accounts $>$ \$45.4 million

Earnings Credits

Average federal funds rate :

- Two week average federal funds rate as published on the Federal Reserve Bank of New York website can be found at the following address:

<http://www.federalreserve.gov/releases/h15/update/>

Earnings Credits

Example 1:

ABC Bank has met its clearing balance requirement of \$20 million. ABC is a weekly reporter with a calculated MRR of 3 percent. The current T-Bill rate is 0.96 percent and the Federal funds rate is 1.0 percent. Calculate the earnings credits.

Earnings Credits

For the maintenance period in question, this bank will accrue earnings credits calculated as follows:

ABC BANK

$[(\text{EC Balance} \times .90\%) (90\% \times 3 \text{ Month T-Bill rate}) + (\text{EC Balance} \times \text{MRR}) \times \text{FF}]$

$$\begin{aligned} & (\$20\text{MM} \times .90) & & (.90 \times .0096) & & + & & (\$20\text{MM} \times .03) \times .01 \\ & (\$20\text{MM} \times .90) & & (.90 \times .0096) & & + & & (\$20\text{MM} \times .03) \times .01 \end{aligned}$$

Days Carried/360 Days

7/360

Calculated Earnings Credits \$3, 140.66

Earnings Credits

Example 1

ABC Bank will receive \$3,140.66 in earnings credits for the week ending Wednesday. The bank will receive earnings credits on 90 percent of its clearing balance at the discounted T-Bill rate and on three percent of its eligible clearing balance at the Fed Funds Rate.

Earnings Credits

Example 2:

DEF Bank has met its clearing balance requirement of \$20 million. DEF is a weekly reporter with a calculated MRR of 3 percent. The current T-Bill rate is 1.25 and the Federal funds rate is 1.75 percent.

Calculate earnings credits.

Calculation of Earnings Credits

For the maintenance period in question, this bank will accrue earnings credits calculated as follows:

ABC BANK

$[(\text{EC Balance} \times .90\%) (90\% \times 3 \text{ Month T-Bill rate}) + (\text{EC Balance} \times \text{MRR}) \times \text{FF}]$

$(\$20\text{MM} \times .90) \quad (.90 \times .0125) \quad + \quad (\$20\text{MM} \times .03) \times .0175$

Days Carried/360 Days

7/360

Calculated Earnings Credits \$4,141.66

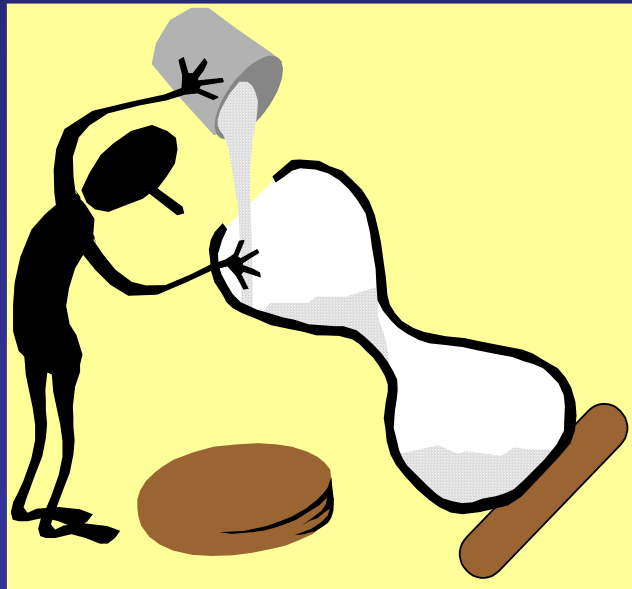
Earnings Credits

Example 2 :

DEF Bank will receive \$4,141.66 in earnings credits for the week-ending Wednesday. The bank will receive earnings credits on 90 percent of its clearing balance at the discounted T-Bill rate and on three percent of its eligible clearing balance at the Fed Funds Rate.

As-of Adjustments

Dorinda Chisholm



Objectives

- What are as-of adjustments?
- What is the purpose of as-of adjustments?
- How does an as-of adjustment affect a depository institution's reserves/clearing position?
- Why are as-of adjustments issued?
- Who can issue as-of adjustments?

Objectives

- What is the life cycle of an as-of adjustment?
- How are as-of adjustments applied?
- Can an as-of adjustment be unapplied or moved, after the fact?

Definition

- An as-of adjustment is a “memorandum” item that is applied by a Reserve Bank to an institution’s master account for a particular maintenance period
- It offsets the effect of a transaction or reporting error on an institution’s position.

Purpose

- The purpose of as-of adjustments are to correct errors that would otherwise result in a gain or loss to an institution and to correct for reporting errors.
- As-of adjustments are issued from the date the error occurred to the date prior to the correcting entry is made. (The number of days will usually not exceed 45.)

As-of Adjustment Threshold

- Transaction-based errors of an initial amount of \$25,000 or greater and an aggregate amount of \$250,000 or more will be issued automatically.
- Adjustments that fall below the \$25,000/\$250,000 threshold will be issued on a case-by-case basis

Transaction-based As-of Adjustments

- Applied to the period following the correction of the error.
- Never applied to the periods prior to the period in which it occurred.

Affects of As-of Adjustments

- Debit as-of adjustments reduce the reserve and/or clearing position of a bank, therefore the institution will need to increase its balances in the maintenance period where the as-of adjustment is applied, to offset the negative effect.
- Credit as-of adjustments increase the reserve and/or clearing position so the institution may maintain a lower balance for the maintenance period where the as-of adjustment is applied.

Reasons for Issuing As-of Adjustments

- Reserve Bank errors
- Depository institution errors
- Other miscellaneous causes

Reserve Bank Errors

Basic principles –

- DI's should not gain or lose in their cumulative reserve and/or clearing balance positions as a result of accounting or administrative errors or delays in processing transactions by a Reserve Bank.
- Fed errors include:
 - Failure to post a to a DI account
 - Posting to a DI account prematurely
 - Posting to the wrong account
 - Posting an incorrect amount

Depository Institution Errors

- FR 2900 Reporting errors
- DI – caused processing errors (routine)

Miscellaneous Causes

- Unusual circumstances
- Reserve deficiencies
- Improper transfers

Priced – Float As-of Adjustments

- Non-standard Holidays
- Voluntary Closings

Priced – Float As-of Adjustments

- Week 1 – Float incurred
- Week 2 – As-of Adjustment prepared
- Week 3 – As-of Adjustment is applied on a Thursday only and always to the current maintenance period

FR 2900 Caused As-Of Adjustments

- To correct for revisions to the Report of Transaction Accounts, Other Deposits and Vault Cash (FR 2900)
- As-of adjustments are issued to periods revised to eliminate a deficiency or excess created from revised data.

FR 2900 Caused As-Of Adjustments

- An offsetting as-of adjustment will be applied to future maintenance periods only to allow an institution to make use of excess reserves held in the revised periods or to allow an institution to compensate for deficiencies that occurred in the revised periods.

As-Of Adjustments

- As-of adjustments are issued by:
 - FRB Check Department

Life Cycle of As-Of Adjustments

Problem Identification

- A depository institution identifies its account was incorrectly credited or debited and notifies the appropriate FRBNY operating area.
- The FRBNY operating area identifies that an error has occurred with an accounting transaction. The institution will be notified as soon as possible.

Life Cycle of As-Of Adjustments

Creation of As-Of Adjustment

- The depository institution is notified that an as-of adjustment will be issued in order to neutralize the impact of the error.
- The requesting area forwards the request to Deposit Reports Division for approval and application.

Life Cycle of As-Ofs

Application of As-Of Adjustment

- The Deposit Reports Division contacts the institution to discuss the application of the as-of adjustment if approved.
- The as-of adjustment is processed and applied to the institution's reserve and/or clearing position.

Application of As-Of Adjustments

ERRORS:

- FRB
- Depository Institution (routine adjustments)

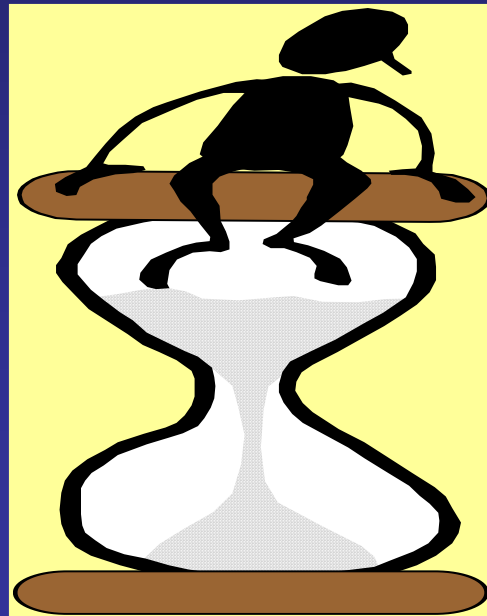
Application of As-Of Adjustments

- FRBNY usually applies as-of adjustments to the maintenance period that immediately follows the current maintenance period.
- The as-of adjustment may be applied to the maintenance period in which the error occurred only in extenuating circumstances with approval by the Board.

Application of As-Of Adjustments

- When offsetting adjustments are applied to two depository institutions, both must be applied on the same day to the maintenance period that immediately follows the current maintenance period.

As-of Adjustment Workshop



Scenario 1 - Weekly Reporter

Facts

- Bank A: Debit transaction error
From 08/05/04 to 08/09/04 (5 days)
Corrected: 08/10/04
- Current Maintenance Period:
08/05/04 to 08/18/04
- Future Maintenance Period: 08/19/04 to 09/01/04
- Deposit Reports contacts DI on 08/11/04

When can credit as-of adjustment be applied?

AUGUST 2004

<i>Sun</i>	<i>Mon</i>	<i>Tue</i>	<i>Wed</i>	<i>Thu</i>	<i>Fri</i>	<i>Sat</i>
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

Scenario 1 - Weekly Reporter

Credit as-of adjustment can only be applied as follows:

- Maintenance period that immediately follows current maintenance period (08/19/04 to 09/01/04)

Scenario 2 - Weekly Reporter

Facts:

- Bank B: Credit transaction error
From 07/27/04 to 08/04/04 (9 days)
Corrected: 08/05/04
- Current Maintenance Period:
08/05/04 to 08/18/04
- Prior Maintenance Period: 07/22/04 to 08/04/04
- Future Maintenance Period: 08/19/04 to 09/01/04
- Deposit Reports contacts DI on 08/06/04

When can debit as-of adjustment be applied?

JULY 2004

<i>Sun</i>	<i>Mon</i>	<i>Tue</i>	<i>Wed</i>	<i>Thu</i>	<i>Fri</i>	<i>Sat</i>
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	<u>22</u>	<u>23</u>	<u>24</u>
<u>25</u>	<u>26</u>	<u>27</u>	<u>28</u>	<u>29</u>	<u>30</u>	<u>31</u>

AUGUST 2004

<i>Sun</i>	<i>Mon</i>	<i>Tue</i>	<i>Wed</i>	<i>Thu</i>	<i>Fri</i>	<i>Sat</i>
<u>1</u>	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

AUGUST 2004

<i>Sun</i>	<i>Mon</i>	<i>Tue</i>	<i>Wed</i>	<i>Thu</i>	<i>Fri</i>	<i>Sat</i>
1	2	3	4	<u>5</u>	<u>6</u>	<u>7</u>
<u>8</u>	<u>9</u>	<u>10</u>	<u>11</u>	<u>12</u>	<u>13</u>	<u>14</u>
<u>15</u>	<u>16</u>	<u>17</u>	<u>18</u>	19	20	21
22	23	24	25	26	27	28
29	30	31				

AUGUST 2004

<i>Sun</i>	<i>Mon</i>	<i>Tue</i>	<i>Wed</i>	<i>Thu</i>	<i>Fri</i>	<i>Sat</i>
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	<u>19</u>	<u>20</u>	<u>21</u>
<u>22</u>	<u>23</u>	<u>24</u>	<u>25</u>	<u>26</u>	<u>27</u>	<u>28</u>
<u>29</u>	<u>30</u>	<u>31</u>				

Scenario 2 - Weekly Reporter

Debit as-of adjustment can only be applied as follows:

- Maintenance period that immediately follows current maintenance period (08/19/04 to 09/01/04)

Scenario 3 - Weekly Reporter

Facts:

- Bank C: Debit transaction error
From 08/04/04 to 08/13/04 (10 days)
Corrected: 08/16/04
- Current Maintenance Period: 08/05/04 to 08/18/04
- Prior Maintenance Period: 07/22/04 to 08/04/04
- Future Maintenance Period: 08/19/04 to 09/01/04
- Deposit Reports contacts DI on 08/17/04
(day 13 of maintenance period)

When can credit as-of adjustment be applied ?

JULY 2004

<i>Sun</i>	<i>Mon</i>	<i>Tue</i>	<i>Wed</i>	<i>Thu</i>	<i>Fri</i>	<i>Sat</i>
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	<u>22</u>	<u>23</u>	<u>24</u>
<u>25</u>	<u>26</u>	<u>27</u>	<u>28</u>	<u>29</u>	<u>30</u>	<u>31</u>

AUGUST 2004

<i>Sun</i>	<i>Mon</i>	<i>Tue</i>	<i>Wed</i>	<i>Thu</i>	<i>Fri</i>	<i>Sat</i>
<u>1</u>	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

AUGUST 2004

<i>Sun</i>	<i>Mon</i>	<i>Tue</i>	<i>Wed</i>	<i>Thu</i>	<i>Fri</i>	<i>Sat</i>
1	2	3	4	<u>5</u>	<u>6</u>	<u>7</u>
<u>8</u>	<u>9</u>	<u>10</u>	<u>11</u>	<u>12</u>	<u>13</u>	<u>14</u>
<u>15</u>	<u>16</u>	<u>17</u>	<u>18</u>	19	20	21
22	23	24	25	26	27	28
29	30	31				

AUGUST 2004

<i>Sun</i>	<i>Mon</i>	<i>Tue</i>	<i>Wed</i>	<i>Thu</i>	<i>Fri</i>	<i>Sat</i>
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	<u>19</u>	<u>20</u>	<u>21</u>
<u>22</u>	<u>23</u>	<u>24</u>	<u>25</u>	<u>26</u>	<u>27</u>	<u>28</u>
<u>29</u>	<u>30</u>	<u>31</u>				

SEPTEMBER 2004

<i>Sun</i>	<i>Mon</i>	<i>Tue</i>	<i>Wed</i>	<i>Thu</i>	<i>Fri</i>	<i>Sat</i>
			<u>1</u>	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

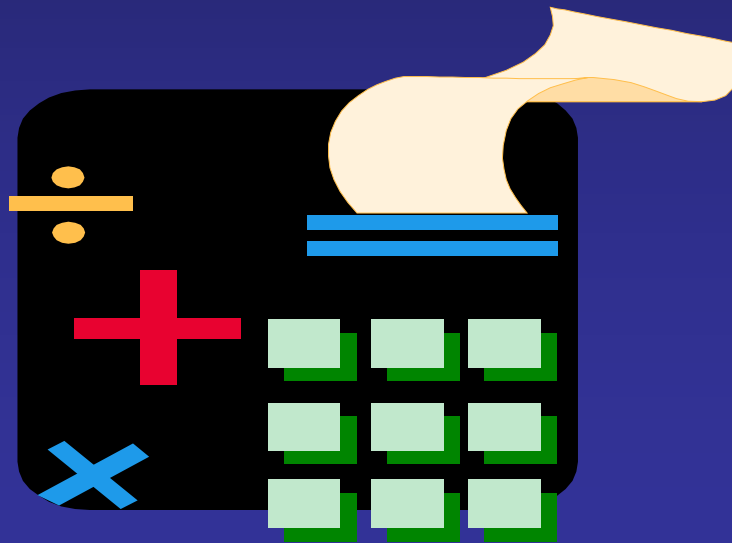
Scenario 3 - Weekly Reporter

Credit as-of can be applied as follows:

- Maintenance period that immediately follows the current maintenance period (08/19/04 to 09/01/04)

Account Maintenance & Position

Eartha Collins



Objectives

- Account Structure
- How to Satisfy Reserve/Clearing Requirement
- Account Maintenance
- Position and Position Reports
- Tools for Managing Position

Account Structure

- Master Account (Direct Account)
- Subaccount
- Correspondent/Pass-through Account
- Respondent
- Pass-Through Reserves

Account Structure

Master Account

- The Federal Reserve's account structure assigns each separately chartered (or licensed) institution a single master account at a designated Reserve Bank where all its activities with the Federal Reserve will be settled

Account Structure

- Foreign-related institutions, U.S. branches and agencies of the same foreign parent bank, and the offices of an Edge or Agreement corporation will have a single master account for each group of offices located in the same state and same Federal Reserve District.

Account Structure

What is a Master Account?

- It is a record of financial transactions that reflects the financial rights and obligations of an account holder and the Reserve Bank

Account Structure

How is a Master Account used?

- A Master Account allows a DI to settle and pay for services and/or maintain balances needed to meet its reserve requirement
- The Reserve Bank handling your master account will also administer all aspects of your account management which include reserve/clearing balance administration

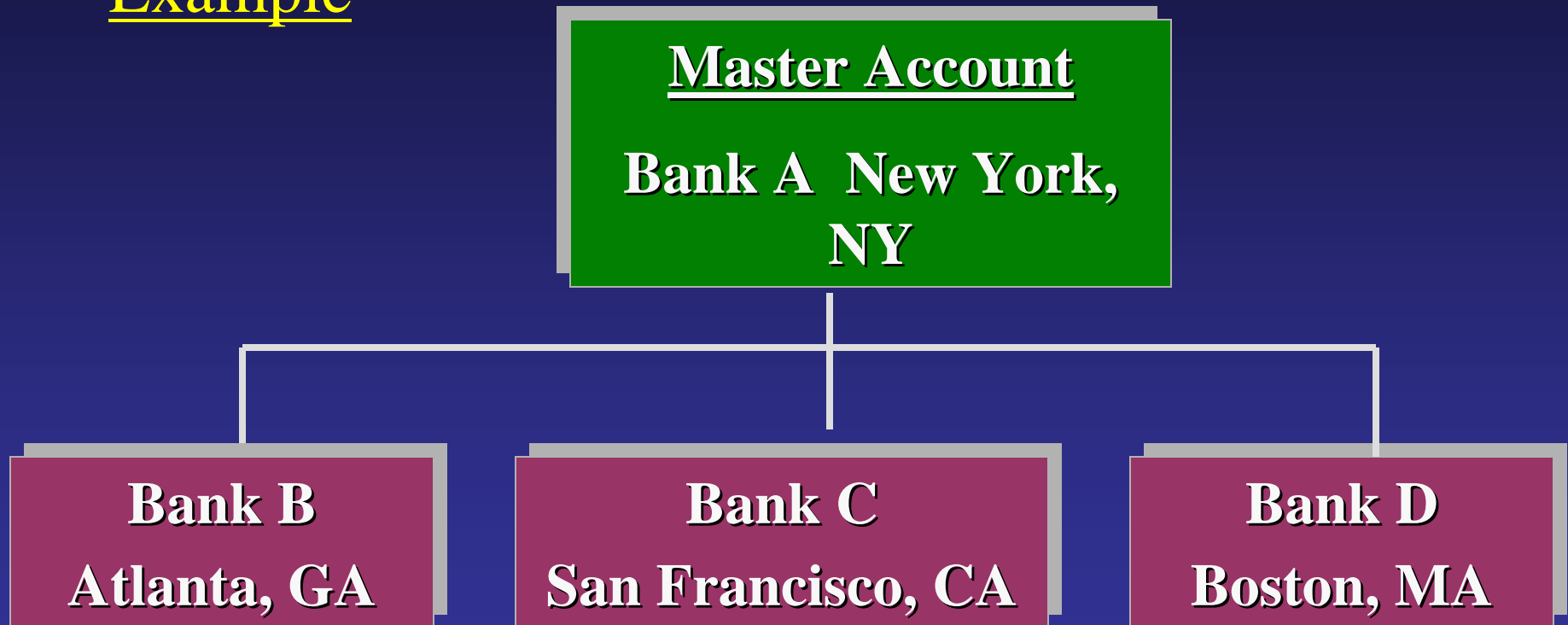
Account Structure

How to establish a master/direct account

- Execute a Master Account Agreement form (included in Operating Circular 1, Account Relationships)
- Submit the Agreement to FRBNY's Accounting Operations Division at least 30 business days before the date you wish to open the account

Account Structure

Example



Account Structure

Subaccounts

- A subaccount is an informational record of a subset of transactions that affect the master account



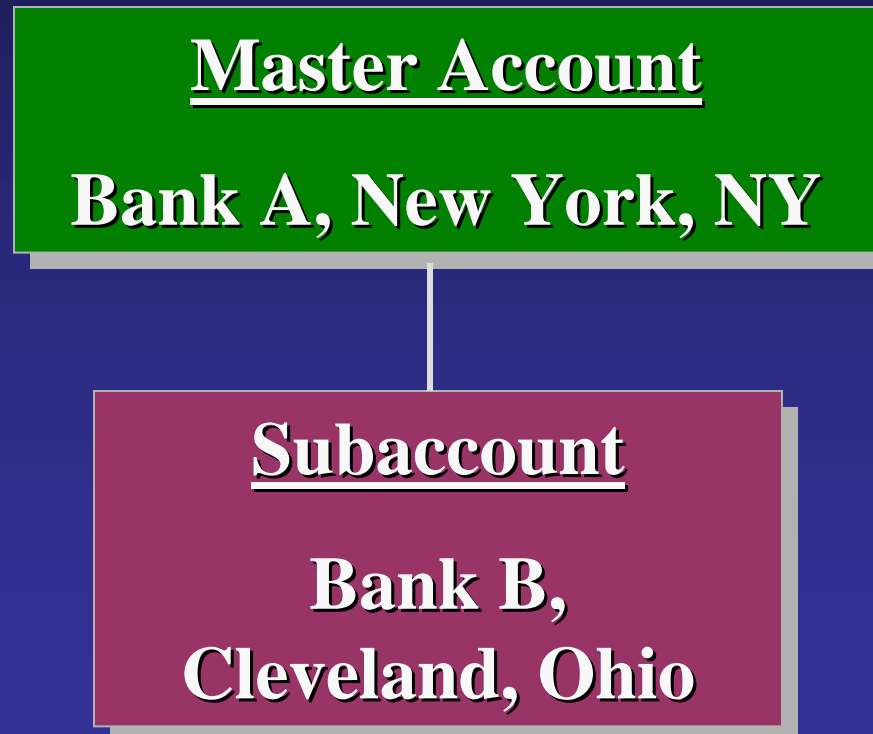
Account Structure

How to establish a subaccount

- Must complete the “Subaccount Designation” form (included in Operating Circular 1, Account Relationships)
- Submit request to the Accounting Operations Division at least 15 business days before you wish the subaccount opened

Account Structure

Example:



Account Structure

Correspondent (Pass-Through Account)

- A correspondent is an institution that has authorized a Reserve Bank to allow transactions to its master account on behalf of one or more respondents

Account Structure

Respondent

- A respondent is an institution that settles some or all of its non-Fedwire transactions in another institution's master account



Account Structure

How to establish Pass-through Relationships

- Both the correspondent and respondent institutions must complete a Pass-Through Agreement form (included in Operating Circular 1, Account Relationships)
- Submit request to FRBNY's Deposit Reports Division at least 5 business days before the start of the maintenance period in which you wish to establish the relationship

Account Structure

Example:

- Bank USA (Correspondent Account) located in FRBNY District
- Bank SA (Pass-through respondent) located in FRB Atlanta District
 - Bank SA must file its deposit reports directly with the Federal Reserve Bank of Atlanta, which is the District in which it is located.

Account Structure

Pass-Through Reserves

- Any depository institution that is required to maintain reserve balances and is a non-member depository institution, a U.S. branch or agency of a foreign bank, or an Edge or agreement corporation

Satisfying Reserve/Clearing Requirements

Reserve Requirement

Vault Cash

Account Balances

- Direct Account
- Pass-through Account

Clearing Balance Requirement

Account Balances

- Direct Account

Satisfying Reserve Requirement

Vault Cash

- Same computation period as deposit data
- Cannot be used to meet reserve requirements in a different maintenance period
- Cannot be used to offset clearing balance requirement

Satisfying Reserve Requirement

Account Balances

- Net total of all transactions (debits/credits) held in the master account at the end of day (EOD) at a Federal Reserve Bank

Account Maintenance



- What is a maintenance period and when is settlement day?
- When is a maintenance period finalized?
- What is Position?

Account Maintenance

Maintenance period

- Weekly reporters
 - 14-Day period in which to maintain and settle required reserves and/or clearing balances
- Quarterly reporters
 - 7-Day period in which to maintain and settle required reserves and/or clearing balances

Account Maintenance

Weekly Lagged Maintenance Cycle (14-day cycle)

Computation Period

FR 2900
&
Vault Cash
Week 1

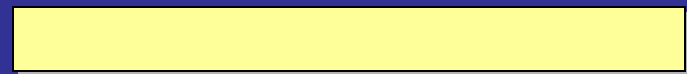
← Report Week 08/17/04 - 08/23/04 (Week One)

Report Week 08/24/04 - 08/30/04 (Week Two)

FR 2900
&
Vault Cash
Week 2

Maintenance Period

09/16/04 through 09/29/04
Thurs Wed



Account Maintenance

Quarterly Maintenance Cycle

(7-day cycle for 13 weeks)

Computation Period

FR 2900
&
Vault Cash

← Report week 06/15/04 - 06/21/04

Actual Quarter

← Beginning 07/15/04
Ending 10/20/04

Maintenance periods

07/15/04 through 10/20/04



Account Maintenance

When is a maintenance period finalized?

- For both weekly and quarterly reporters, a maintenance period is finalized 28 days after the maintenance period has ended.

Position

- Position is a measure of a depository institution's compliance with reserve and/or clearing balance requirements
- Position is initially determined by evaluating the difference between total maintained and total required.



Position

- If negative, deficient in reserves and/or clearing balance requirement.
- If positive, excess in reserves and/or clearing balance requirement.



Position

Factors that affect position are:

- Vault Cash
- Account Balances
- Overnight Overdrafts
- As-of Adjustments
- Clearing Balance Band
- Carryover
- Carryin

Position

Overnight Overdrafts

- Negative end of day (EOD) balance in a Direct or Pass-Through account
 - Direct impact (decrease) on total maintained balances

Position

As-of Adjustments

- Directly impacts total maintained balances
 - a debit as-of adjustment reduces total maintained balances for the maintenance period
 - a credit as-of adjustment increases total maintained balances for the maintenance period

Position

Clearing Balance Band

- If maintained within the upper level, can generate extra earnings credits.
- If maintained within the lower level, can offset the effect of a deficiency.

Position

Carryover

- Carryover is an excess or deficiency amount that can be carried over to the next maintenance period.
- Cannot be carried over to subsequent periods.

Position

Carry-in

- The amount of carryover brought into the current maintenance period from the previous maintenance period.

Position

How is carryover calculated?

- Gross RR plus RQCB (if any) equals total requirement;
- Multiply total requirement by 4%, or \$50,000, which ever is greater;
- Subtract the RQCB band, if any (the RQCB band is computed at 2% of the RQCB or \$25,000 which ever is greater);

Equals Maximum Allowable Carryover

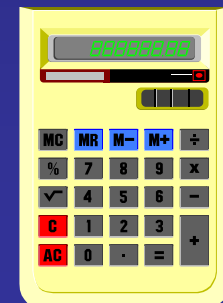
Position

Example:

Reserve Requirement	1,231
Clearing Balance Requirement	<u>200</u>
(1) Total Requirement	1,431
(2) Total requirement 1,431 x 4% or \$50,000, whichever is greater	57
(3) Minus the Clearing Balance Band	<u>(25)</u>
Allowable Carryover	<u><u>32</u></u>

Position

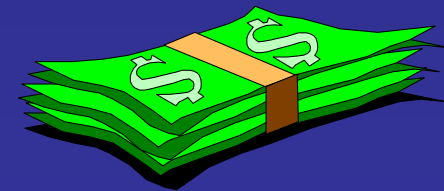
- Mechanics of Position Calculation
- Funding Account



Position

Position Calculation

- Position is calculated in daily averages in thousands.
- Gross Position equals Total Maintained less Total Required Reserves.



Position

Mechanics of Position Calculation

Example

(1)

Reserve Requirement	\$1,231
---------------------	---------

Plus: Clearing Balance	
------------------------	--

Requirement	<u>\$ 200</u>
-------------	---------------

Total Required	<u>\$1,431</u>
-----------------------	----------------

Position

Mechanics of Position Calculation (cont.)

Example

(2)

Usable Vault Cash	\$ 300
Plus: Account Balances	1,100
Credit As-of Adjustments	<u>100</u>
Total Maintained	<u>\$1,500</u>

Position

Mechanics of Position Calculation (cont.)

Example

(3)

Total Maintained Balances	\$1,500
---------------------------	---------

Less: Total Required	
----------------------	--

Balances	
----------	--

<u>1,431</u>

Gross Position	
----------------	--

<u>69</u>

Preliminary Position

(\$ in 000s)

	09/16/04	09/02/04	08/19/04
	09/29/04	09/15/04	09/01/04
Reserve Requirement	3,000	1,231	2,000
Clearing Balance Req.	200	200	200
Total Required	3,200	1,431	2,200
Usable Vault Cash	300	300	500
Account Balances Held	2,200	1,100	1,700
For 13 days (09-28-04)			
As-Of Adjustments	500	100	0
Total Maintained	3,000	1,500	2,200
Gross Position	-200	69	0
Carryover from Prior Period	32	0	0
Clearing Balance Band	-25	25	0
Subtotal	-143	44	0
Allowable Carryover	-103	32	0
Offset in Next Period	0	32	0
Net Position	-143	12	0

Position

Required Balance & Funding Account

Weekly Settler (14 days)

- Required reserve balance \$2 million on a daily basis.
- Over 14 days, aggregate required reserve balance is \$28 million (\$2 million daily average multiplied by 14 days).

Position

Required Balance & Funding Account (Total in thousands)

		<u>Ex.1</u>	<u>Ex.2</u>	<u>Ex. 3</u>
Week 1	Thurs	2,000	0	2,000
	Fri	2,000	0	2,000
	Sat	2,000	0	2,000
	Sun	2,000	0	2,000
	Mon	2,000	0	1,000
	Tues	2,000	0	1,000
	Wed	2,000	0	1,000

Position

Required Balance & Funding Account (Total in thousands)

		<u>Ex.1</u>	<u>Ex.2</u>	<u>Ex. 3</u>
Week 2	Thurs	2,000	0	3,000
	Fri	2,000	0	3,000
	Sat	2,000	0	3,000
	Sun	2,000	0	3,000
	Mon	2,000	0	2,000
	Tues	2,000	0	1,000
	Wed	2,000	28,000	2,000
	Total Balances Held	28,000	28,000	28,000

Position

Deficiency

- Shortfall between the total balance maintained in a direct account or pass-through account and the reserve balance requirement

Final Position

(in thousands)

Reserve Requirement		2,000
Clearing Balance Requirement		200
	Total Required	2,200
Usable Vault Cash	500	
Account Balances Held	1,000	
As-Of Adjustments	100	
	Total Maintained	1,600
Gross Position		- 600
Carryover From Prior Period		0
Clearing Balance Band		- 25
Subtotal		- 575
Allowable Carryover	-63	
	Offset in Next Period	-63
Net Position		- 512

Final Position

(in thousands)

Reserve Requirement		2,000
Clearing Balance Requirement		200
	Total Required	2,200
Usable Vault Cash	500	
Account Balances Held	3,000	
As-Of Adjustments	100	
	Total Maintained	3,600
Gross Position		1,400
Carryover From Prior Period		0
Clearing Balance Band		25
Subtotal		1,375
Allowable Carryover	63	
	Offset in Next Period	63
Net Position		1,312

Position Reports

Types of Positions

- Reserve Only
- Clearing Balance Requirement Only
- Reserve and Clearing Balance Requirement

Types of Position Reports

- Preliminary
- Final

Position Reports

Report frequency

- Preliminary Position - Daily
- Final Position
 - Bi-weekly (every other Wednesday for weekly reporters)
 - Weekly (every Wednesday for quarterly reporters and non reporters)

Position Reports

Information provided on a Position Report

- *Direct Account (no respondents)*
 - Maintenance Period
 - Reserve Requirement
 - Clearing Balance Requirement
 - Usable Vault Cash
 - Account Balances
 - As-of Adjustments
 - Total Maintained

Position Reports

Information provided on a Position Report

- Direct Account (no respondents) cont'd
 - Gross Position
 - Carryover From Prior Period
 - Clearing Balance Band
 - Allowable Carryover
 - Offset in Next Period
 - Net position

Position Reports

- **Direct Account with Pass-through respondents**
 - Maintenance Period
 - Reserve Requirement
 - ❖ Own
 - ❖ Weekly Respondents
 - ❖ Quarterly Respondents
 - Clearing Balance Requirement
 - Total Requirement

Position Reports

- *Direct Account with Pass-through respondents*
 - Usable Vault Cash
 - ❖ Own
 - ❖ Weekly Respondents
 - ❖ Quarterly Respondents
 - Account Balances
 - As-of Adjustments
 - Total Maintained

Position Reports

- *Direct Account with Pass-through respondents*
 - Gross Position
 - Carryover From Prior Period
 - Clearing Balance Band
 - Allowable Carryover
 - Offset in Next Period
 - Net position

Position Reports

Types of Delivery

- FedMail (E-mail or Fax)
- ReserveCalc (If you have access to ReserveCalc)



Tools for Managing Position

- Carryover
- Required Clearing Balance
- Discount Window



Summary

- Account structure
- How to satisfy reserve/clearing requirement
- Account maintenance
- Position and position reports
- Tools for managing position



Summary

REMEMBER

- Always fund Account timely
 - Excess = Waste
 - Deficient = Penalty



Deficiencies, Penalties, & Waivers

Donnovan Surjoto



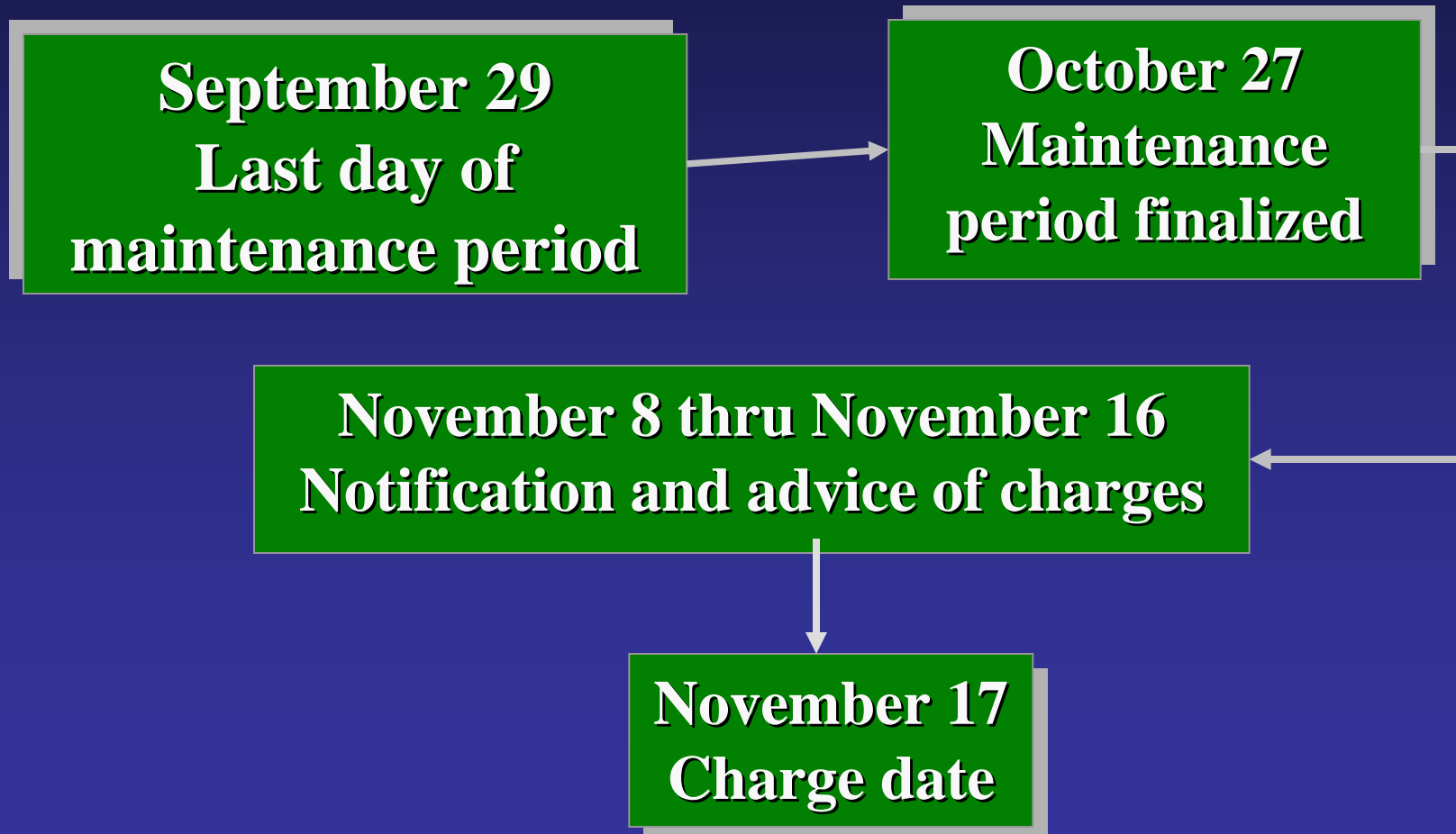
Overview

Reserve Deficiency vs. Clearing Deficiency

- Reserve Deficiency - Portion of reserve requirement that is not satisfied by vault cash and/or balances held directly at a Reserve Bank or indirectly in a pass-through account.
- Clearing Deficiency - Portion of the clearing balance that is not satisfied by balances held directly at a Reserve Bank.

Overview

Timeline for Finalizing Deficiencies



Reserve Deficiency

Example

(\$ in 000)

Reserve Requirement	\$8,700
Clearing Balance Requirement	0
Usable Vault Cash	0
Account Balance	8,500
As-Of Adjustment	0
Carryover From Prior Period	0
Clearing Balance Band	0
Allowable Carryover	(200)

Reserve Deficiency

- Allowable Carryover - Not to exceed the greater of:
 - 4% of (Required Reserves + Required Clearing Balance) - Clearing Balance Band.
 - \$50,000 - Clearing Balance Band

(Example)

$$4\% (\$8,700,000 + 0) - 0 = \$348,000$$
$$\$50,000 - 0 = \$ 50,000$$

Reserve Deficiency

Net Excess / (Deficiency)

Required Reserve		\$ 8,700
Required Clearing Balance		<u>0</u>
	Total Requirement	\$ 8,700
Less: Vault Cash	0	
Account Balance	8,500	
As-Of Adjustment	0	<u>8,500</u>
	Gross Position [Excess(Deficiency)]	(200)
Prior Period Carryover		0
Clearing Balance Band		0
Allowable Carryover	(200)	
Offset in Next Period		<u>0</u>
	Net Excess (Deficiency)	<u><u>(200)</u></u>

Reserve Deficiency

Required Reserve Penalty

- $\text{Penalty} = (\text{Primary Rate} + 1\%) * (\# \text{ Days in Maintenance Period}) * (\text{Deficiency}) / (\# \text{ Days in Year})$

Example

$$(3.5\% * 14 * \$200,000) / 365 = \$269$$

Clearing Deficiency

Example

(\$ in 000)

Reserve Requirement	\$ -
Clearing Balance Requirement	2,500
Usable Vault Cash	0
Account Balance	750
As-Of Adjustment	0
Carryover From Prior Period	0
Clearing Balance Band	50
Allowable Carryover	0

Clearing Deficiency

- Clearing Balance Band - Greater of:

- \$25,000 or
- 2% of Required Clearing Balance

$$\begin{array}{rcl} \text{Minimum} & = & \$ 25,000 \\ \$2,500,000 * 2\% & = & \$ 50,000 \end{array}$$

- Allowable Carryover

Allowable carryover is not allowed for reporters with only a clearing balance requirement.

Clearing Deficiency

Net Excess / (Deficiency)

Required Reserve		\$ -
Required Clearing Balance		<u>2,500</u>
	Total Requirement	\$ 2,500
Less: Vault Cash	0	
Account Balance	750	
As-Of Adjustment	0	<u>750</u>
	Gross Position [Excess(Deficiency)]	(1,750)
Prior Period Carryover		0
Clearing Balance Band		50
Allowable Carryover	0	
Offset in Next Period		<u>0</u>
	Net Excess (Deficiency)	<u>(1,700)</u>

Clearing Deficiency

Penalty

- Part 1 : Required Clearing Balance * 20%
* # Days in Maintenance Period / # Days in Year
- Part 2 : Net Deficiency - (Required Clearing Balance * 20%) * # Days in Maintenance Period / # Days in Year

Clearing Deficiency

- Calculation

2% of Part 1 + 4% of Part 2

Example

$$(1) 2\% * (\$2,500,000 * 20\%) * 14 / 365 = \$ 383$$

$$(2) 4\% * (\$1,700,000 - (\$2,500,000 * 20\%)) * 14 / 365 = \$ 1,841$$

$$\text{Total Penalty} \quad \underline{\underline{\$ 2,224}}$$

Comprehensive Reserve & Clearing Deficiencies

Example

(\$ in 000)

Reserve Requirement	\$ 4,500
Clearing Balance Requirement	500
Usable Vault Cash	900
Account Balance	3,700
As-Of Adjustment	(1,000)
Carryover From Prior Period	75
Clearing Balance Band	25
Allowable Carryover	(175)

Comprehensive Reserve & Clearing Deficiencies

- Clearing Balance Band - Greater of:
 - \$25,000 or
 - 2% of Required Clearing Balance

$$\begin{array}{lcl} \text{Minimum} & = & \$ 25,000 \\ \$500,000 * 2\% & = & \$ 10,000 \end{array}$$

Comprehensive Reserve & Clearing Deficiencies

- Allowable Carryover - Not to exceed the greater of:
 - 4% of (Required Reserves + Required Clearing Balance) - Clearing Balance Band.
 - \$50,000 - Clearing Balance Band
-

(Example)

$$\begin{aligned} 4\% (\$4,500,000 + 500,000) - 25,000 &= \$175,000 \\ \$50,000 - 25,000 &= \$ 25,000 \end{aligned}$$

Comprehensive Reserve & Clearing Deficiencies

Net Excess / (Deficiency)

Required Reserve		\$ 4,500
Required Clearing Balance		<u>500</u>
	Total Requirement	\$ 5,000
Less: Vault Cash	900	
Account Balance	3,700	
As-Of Adjustment	(1,000)	<u>3,600</u>
	Gross Position [Excess(Deficiency)]	(1,400)
Prior Period Carryover		75
Clearing Balance Band		25
Allowable Carryover	(175)	
	Offset in Next Period	<u>0</u>
	Net Excess (Deficiency)	<u><u>(1,300)</u></u>

Comprehensive Reserve & Clearing Deficiencies

Allocation of Deficiency

- Clearing Balance Deficiency

Total Deficiency - (Required Reserve - Total Maintained - Clearing Balance Band)

$$\begin{aligned} & \$1,300,000 - (\$4,500,000 - \$3,600,000 - \$25,000) \\ & = \$ 425,000 \end{aligned}$$

Comprehensive Reserve & Clearing Deficiencies

Clearing Balance Penalty

- Part 1 : (Required Clearing Balance * 20%)
($\$500,000 * 20\%$) = \$ 100,000
- Part 2 : Clearing Balance Deficiency -
(Required Clearing Balance * 20%)
 $\$425,000 - (\$500,000 * 20\%) = \$$
325,000

Comprehensive Reserve & Clearing Deficiencies

- [(2% of Part 1 of Clearing Deficiency) * # Days in Maintenance Period / # Days in Year] PLUS [(4% of Part 2 of Clearing Deficiency) * # Days in Maintenance Period / # Days in Year] = Clearing Penalty

$(\$100,000 * 2\%) * 14 / 365$	=	\$ 77
$(\$325,000 * 4\%) * 14 / 365$	=	<u>499</u>
Total Clearing Penalty		<u><u>\$ 576</u></u>

Comprehensive Reserve & Clearing Deficiencies

- Reserve Deficiency
 - Gross Deficiency - Required Clearing
Balance Deficiency

$$\$1,300,000 - \$425,000 = \$ 875,000$$

Comprehensive Reserve & Clearing Deficiencies

- Required Reserve Penalty
 - Penalty = (Primary Rate + 1%) * (# Days in Maintenance Period) * (Deficiency) / (# Days in Year)

$$(\$875,000 * 3.5%) * 14 / 365 = \$1,175$$

Comprehensive Reserve & Clearing Deficiencies

- Total Penalty

Clearing Penalty = \$ 576

Required Reserve Penalty = 1,175

Total Penalty \$ 1,751

Waivers

- “A” - Waiver

Penalty \$25 or less - May be waived and the institution may be required to explain the deficiency.

- “C” - Waiver

Penalty $>$ \$25 and $<$ or equal to 5% of daily average requirement - May be waived once every 2 years.

Summary

Key Points

- Vault cash cannot be used to satisfy Required Clearing Balance.
- Reserve balances are used to satisfy Required Reserves before Required Clearing Balance.
- A deficiency cannot be carried over to a subsequent deficient period.
- No Allowable Carryover for institutions with only a clearing balance.
- Certain penalties MAY be waived.

Reserve Contacts & References

Additional References

The Account Management Guide, the Reserve Maintenance Manual, and Operating Circulars can be referenced at www.frb.services.org.

An online guide to regulatory and financial reporting and reserves information can be found at www.reportingandreserves.org

Discount Window Hotline: (800) 226-5619

Federal Reserve Bank of New York Contacts

Ben Annoscia	212-720-8920	Anthony LaRocca	212-720-8414
Eartha Collins	212-720-5993	Linda Mason	212-720-5799
Dorinda Chisholm	212-720-8413	Brian Osterhus	212-720-8023
Claudette Knight	212-720-5798	Cheryl Rasmussen	212-720-5460

ReserveCalc

Claudette Knight



ReserveCalc Features


Reserve Maintenance Information

- Balance Calculator
- Position
- Account Balances
- As-of Adjustments
- Requirement
- Reservable Liabilities
- Position History

Print Report

Useful links


ReserveCalc





Select Date
and Reserve Report

04/28/2004 ▾

- Balance Calculator
- Position
- Account Balances
- As-of Adjustments
- Requirement
- Reservable Liabilities
- Position History

 Print Report

Useful Links

-  Reporting & Reserves
-  Account Mgmt. Info.

We'll start out with the Balance Calculator.
For most users, this is the first report that
you'll see.

Balance Calculator

The Balance Calculator provides a summary of the current maintenance period including Total Balance Requirement, Carry-Over from the Prior Period, Account Balances to date and As-of Adjustments.

BALANCE CALCULATOR

MAINTENANCE PERIOD

05/26/2004

Correspondent: No

Merger Survivor: No

Maintenance Period Status: [Preliminary](#)

	Aggregate	÷ Days	Average
Total Balance Requirement	2,450	(÷ 7)	350
Carry-Over from Prior Period	0	(÷ 7)	0
Total Balances to be Held	2,450		
FRB Actual Balances (4 Days)	1,467	(÷ 4)	367
<i>User Estimated Balances (0 Days)</i>	0		
FRB Actual As-of Adjustments	0	(÷ 7)	0
<i>User Estimated As-of Adjustments</i>	0		
Total Balances Held (includes Estimates)	1,467		
Additional amount to be held for remaining 3 days	983	(÷ 3)	328

Balance Calculator

The Balance Calculator helps you calculate the balance you need to hold to achieve a zero net position.

It updates automatically each day and provides the Target Balance to be held for the remaining days in the maintenance period.

BALANCE CALCULATOR

MAINTENANCE PERIOD

05/26/2004

Correspondent: No

Maintenance Period Status: [Preliminary](#)

Merger Survivor: No

	Aggregate	÷ Days	Average
Total Balance Requirement	2,450	(+ 7)	350
Carry-Over from Prior Period	0	(+ 7)	0
Total Balances to be Held	2,450		
FRB Actual Balances (4 Days)	1,467	(+ 4)	367
<i>User Estimated Balances (0 Days)</i>	0		
FRB Actual As-of Adjustments	0	(+ 7)	0
<i>User Estimated As-of Adjustments</i>	0		
Total Balances Held (includes Estimates)	1,467		
Additional amount to be held for remaining 3 days	983	(÷ 3)	328

Balance Calculator

It also indicates the range of average daily balances that can produce a zero position.

BALANCE CALCULATOR

MAINTENANCE PERIOD
05/26/2004

	Aggregate	÷ Days	Average
Additional amount to be held for remaining 3 days	983	(÷ 3)	328

A Zero Position Can Be Achieved Anywhere Between:

[Lowest Balance](#)

(Average Carry-Over to next period = 0) 808 (÷ 3) 269

[Highest Useful Balance](#)

(Average Carry-Over to next period = 0) 1,158 (÷ 3) 386

Balance Calculator

Balance Calculator

The Balance Calculator is interactive as well. It allows you to estimate future balances or as-of adjustments, and then recalculate the Target Balance.

Click the Balance Calculator button to estimate your account balances.

BALANCE CALCULATOR

MAINTENANCE PERIOD

05/26/2004

	Aggregate	÷ Days	Average
Additional amount to be held for remaining 3 days	983	(÷ 3)	328

A Zero Position Can Be Achieved Anywhere Between:

[Lowest Balance](#)

(Average Carry-Over to next period = 0) 808 (+ 3) 269

[Highest Useful Balance](#)

(Average Carry-Over to next period = 0) 1,158 (+ 3) 386



Balance Calculator

Tips

Enter estimated balances and estimated as-of adjustments in dollars and cents.

For holidays, estimated balances entered by the user, should be identical to the balance for the previous day.

ReserveCalc automatically uses Friday's estimated balance for the following Saturday and Sunday.

Balance Calculator

Let's assume you want to know what your Target Balance should be for the remaining days in the maintenance period, if you close with \$250,000.00 in your account on Monday night.

Enter your estimated balance, then click the Calculate button.

BALANCE CALCULATOR - DETAIL

MAINTENANCE PERIOD 05/26/2004

Enter your Account Balance estimates (in dollars)...

Thursday 05/20/2004 398,876.30

Friday 05/21/2004 356,197.36

Saturday 05/22/2004 356,197.36

Sunday 05/23/2004 356,197.36

Monday 05/24/2004

Tuesday 05/25/2004

Wednesday 05/26/2004

Current FRB As-of Adjustments (in thousands):

[0](#)

Enter your aggregate As-of Adjustment estimate (in dollars)...



Calculate

Balance Calculator

The estimated balance is now included in the calculation, and a new Target Balance and Range are provided for the remaining 2 days of the maintenance period.

BALANCE CALCULATOR - YOUR ESTIMATES		PERIOD 05/26/2004		
	Aggregate	÷ Days	Average	
Total Balance Requirement	2,450	(+ 7)	350	
Carry-Over from Prior Period	0	(+ 7)	0	
Total Balances to be Held	2,450			
FRB Actual Balances (4 Days)	1,467	(÷ 4)	367	
<i>User Estimated Balances (1 Days)</i>	250			
FRB Actual As-of Adjustments	0	(+ 7)	0	
<i>User Estimated As-of Adjustments</i>	0			
Total Balances Held (includes Estimates)	1,717			
<u>Additional amount to be held for remaining 2 days</u>	733	(÷ 2)	367	
A Zero Position Can Be Achieved Anywhere Between:				
<u>Lowest Balance</u>				
(Average Carry-Over to next period = 0)	558	(+ 2)	279	
<u>Highest Useful Balance</u>				
(Average Carry-Over to next period = 0)	908	(+ 2)	454	

Balance Calculator

The screenshot shows the ReserveCalc application interface. At the top left is the logo "ReserveCalc" with a large green "R". Below the logo is a section titled "Select Date and Reserve Report" containing a date dropdown menu set to "06/02/2004". A list of menu items follows, each with a magnifying glass icon: "Balance Calculator", "Position", "Account Balances", "As-of Adjustments", "Requirement", "Reservable Liabilities", and "Position History". A red arrow points from the "Position" link to the right. Below the menu is a "Print Report" button with a printer icon. At the bottom is a "Useful Links" section with two links: "R&R Reporting & Reserves" and "Account Mgmt. Info.".

Next, let's view the Preliminary Position report for this maintenance period by clicking the Position link.

Balance Calculator

This is the Preliminary Position Report. It shows your position for the current and prior two maintenance periods.

POSITION - PRELIMINARY DIRECT		MAINTENANCE PERIOD		
		06/02/2004		
		Point in Time: <input type="text" value="Now"/>		
Maintenance Period End Dates	06/02/2004	05/26/2004	05/19/2004	
Reserve Requirement	<u>237</u>	<u>237</u>	<u>237</u>	
Clearing Balance Requirement	350	350	350	
Total Requirement	587	587	587	
Usable Vault Cash	237	237	237	
Account Balances	<u>818</u>	<u>443</u>	<u>378</u>	
As-of Adjustments	<u>0</u>	<u>0</u>	<u>0</u>	
Total Maintained	1,055	680	615	
Gross Position	468	93	28	
Carry-Over from Prior Period	0	0	0	
Clearing Balance Allowance	25	25	25	
Subtotal	443	68	3	
Allowable Carry-Over to Next Period	0	0	0	
Carry-Over Offset in Next Period	0	0	0	
Net Position	443	68	3	

Preliminary Position Report

New Feature:

The default "Point In Time" for Position reports is "Now," showing you the most up-to-date information available. To view a report generated at a point in time in the past, select a date from the pulldown menu.

POSITION - PRELIMINARY DIRECT		MAINTENANCE PERIOD 06/02/2004	
		Point in Time:	Now <input type="button" value="v"/>
Maintenance Period End Dates	06/02/2004	05/	Now 05/28/2004 End of Day
Reserve Requirement	<u>237</u>	<u>237</u>	<u>237</u>
Clearing Balance Requirement	350	350	350
Total Requirement	587	587	587
Usable Vault Cash	237	237	237
Account Balances	<u>818</u>	<u>443</u>	<u>378</u>
As-of Adjustments	<u>0</u>	<u>0</u>	<u>0</u>
Total Maintained	1,055	680	615
Gross Position	468	93	28
Carry-Over from Prior Period	0	0	0
Clearing Balance Allowance	25	25	25
Subtotal	443	68	3
Allowable Carry-Over to Next Period	0	0	0
Carry-Over Offset in Next Period	0	0	0
Net Position	443	68	3

Preliminary Position Report

New Feature:

This is the Point In Time Position report selected. Net position is based on account balances and as-of adjustments, at the end of the day on 05/28/2004.

POSITION - PRELIMINARY DIRECT		MAINTENANCE PERIOD		
			06/02/2004	
		<u>Point in Time:</u>	05/28/2004 End of Day ▾	
Maintenance Period End Dates	06/02/2004	05/26/2004	05/19/2004	
Reserve Requirement	237	237	237	
Clearing Balance Requirement	350	350	350	
Total Requirement	587	587	587	
Usable Vault Cash	237	237	237	
Account Balances	900	443	378	
As-of Adjustments	0	0	0	
Total Maintained	1,137	680	615	
Gross Position	550	93	28	
Carry-Over from Prior Period	0	0	0	
Clearing Balance Allowance	25	25	25	
Subtotal	525	68	3	
Allowable Carry-Over to Next Period	0	0	0	
Carry-Over Offset in Next Period	0	0	0	
Net Position	525	68	3	

Preliminary Position Report

To see detail on your daily account balances, click on Account Balances in the menu selection items, or on the dollar amount in the report.

POSITION - PRELIMINARY DIRECT		MAINTENANCE PERIOD		
		06/02/2004		
Maintenance Period End Dates	06/02/2004	05/26/2004	05/19/2004	
Reserve Requirement	237	237	237	
Clearing Balance Requirement	350	350	350	
Total Requirement	587	587	587	
Usable Vault Cash	237	237	237	
Account Balances	900	443	428	
As-of Adjustments	0	0	0	
Total Maintained	1,137	680	665	
Gross Position	550	93	78	
Carry-Over from Prior Period	0	0	0	
Clearing Balance Allowance	25	25	25	
Subtotal	525	68	53	
Allowable Carry-Over to Next Period	0	0	0	
Carry-Over Offset in Next Period	0	0	0	
Net Position	525	68	53	

Account Balances

The Account Balances report shows your account balances for each day during the maintenance period.

ACCOUNT BALANCES		MAINTENANCE PERIOD 06/02/2004
Average Account Balances (in thousands)		900
Total Account Balances		4,500,281.64
<hr/>		
Thursday	05/27/2004	469,766.40
Friday	05/28/2004	1,007,628.81
Saturday	05/29/2004	1,007,628.81
Sunday	05/30/2004	1,007,628.81
Monday	05/31/2004	1,007,628.81
Tuesday	06/01/2004	0.00
Wednesday	06/02/2004	0.00

ReserveCalc





Select Date
and Reserve Report

06/02/2004 ▾

- 🔍 Balance Calculator
- 🔍 Position
- 🔍 Account Balances
- 🔍 As-of Adjustments
- 🔍 Requirement
- 🔍 Reservable Liabilities
- 🔍 Position History

🖨️ Print Report

Useful Links

-  Reporting & Reserves
-  Account Mgmt. Info.


To see information on your as-of adjustments, click this link in the menu.

As-Of Adjustments Summary Report

The As-Of Adjustments - Summary report shows your as-of adjustments for each day during the maintenance period. It also shows as-of adjustments applied before and after the period.

For a list of all as-of adjustments click on the total.

AS-OF ADJUSTMENTS - SUMMARY MAINTENANCE PERIOD 05/26/2004

Average As-of Adjustments (in thousands) -10,327
Total As-of Adjustments  [-144,575,822.82](#)

Thursday	05/20/2004	0.00
Friday	05/21/2004	-149,501,500.00
Saturday	05/22/2004	0.00
Sunday	05/23/2004	0.00
Monday	05/24/2004	8,332,333.33
Tuesday	05/25/2004	0.00
Wednesday	05/26/2004	0.00

Applied on a Date Before this Maintenance Period Began [-3,431,656.15](#)

Applied on a Date After this Maintenance Period Ended [25,000.00](#)

As-Of Adjustments Detail

NEW FEATURE:

For detailed information on an individual as-of adjustment, click on the link.

AS-OF ADJUSTMENTS			MAINTENANCE PERIOD 05/26/2004	
Date Entered	Date Approved	Date Applied	Amount Entered	Amount Applied
05/28/2004	05/28/2004	05/28/2004	50,000.00	25,000.00
05/24/2004	05/24/2004	05/24/2004	10,000,000.00	5,000,000.00
05/24/2004	05/24/2004	05/24/2004	10,000,000.00	3,333,333.33
05/24/2004	05/24/2004	05/24/2004	-1,000.00	-1,000.00
05/21/2004	05/21/2004	05/21/2004	-49,500,000.00	-49,500,000.00
05/21/2004	05/21/2004	05/21/2004	-50,000,000.00	-50,000,000.00
05/21/2004	05/21/2004	05/21/2004	-50,000,000.00	-50,000,000.00
05/21/2004	05/21/2004	05/21/2004	-500.00	-500.00
05/21/2004	05/21/2004	05/21/2004	-1,000.00	-1,000.00
04/30/2004	04/30/2004	04/30/2004	-55,030.00	-275,150.00
04/30/2004	04/30/2004	04/30/2004	-450,929.45	-3,156,506.15



As-Of Adjustments Detail

NEW FEATURE:

Detailed information for an individual as-of adjustment includes items such as the reason code and a description.

AS-OF ADJUSTMENTS - DETAIL MAINTENANCE PERIOD 05/26/2004

ORIGINATING TRANSACTION

Originating ABA 122999999

Servicing FRB 122-Los Angeles
Penultimate ABA

From 04/13/2004
To 04/19/2004
Days 7

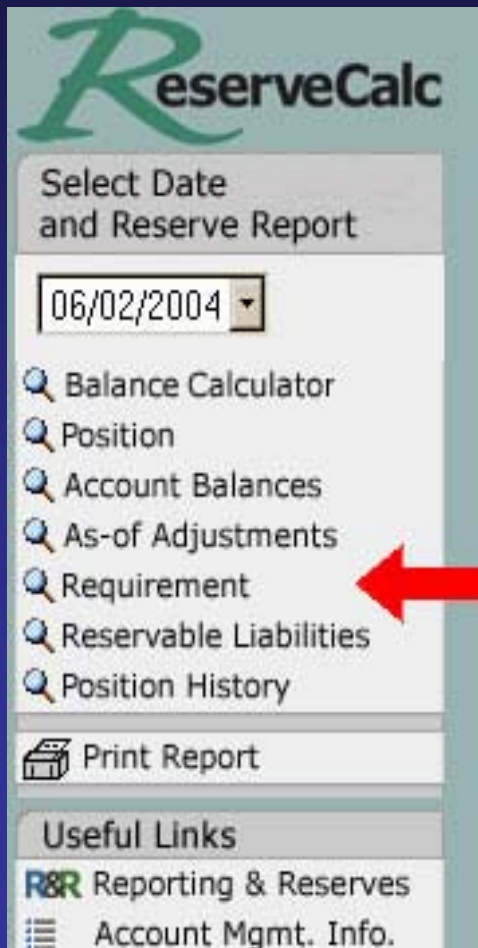
CCWU 6101
Batch 20003
Trancode 15298

Entry Amount	Aggregate Amount	Reason	DI Error (3)
-450,929.45	-3,156,506.15	Float	Float

Description

TO ADJUST FOR YOUR CASH LETTER CREDITED TWICE ON 04/13/04.

ReserveCalc



The image shows a screenshot of the ReserveCalc software interface. The title bar at the top left reads "ReserveCalc" in a green, stylized font. Below the title bar is a section titled "Select Date and Reserve Report" which contains a date dropdown menu set to "06/02/2004". Underneath this section is a list of menu items, each preceded by a magnifying glass icon: "Balance Calculator", "Position", "Account Balances", "As-of Adjustments", "Requirement", "Reservable Liabilities", and "Position History". A red arrow points from the right towards the "Requirement" menu item. Below the menu items is a "Print Report" button with a printer icon. At the bottom of the interface is a "Useful Links" section containing two links: "R&R Reporting & Reserves" and "Account Mgmt. Info.".

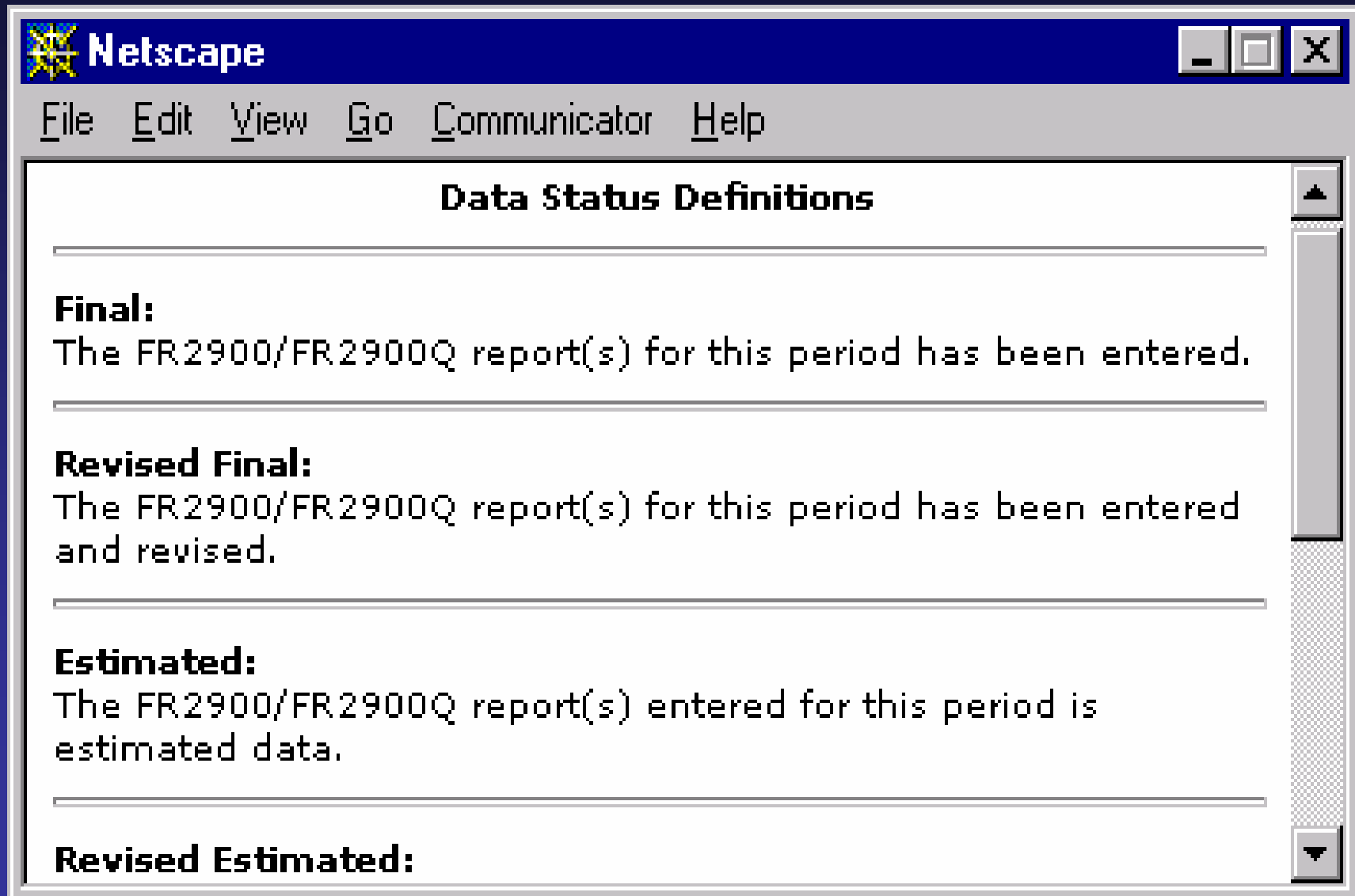
Next, let's request a Requirement Report by clicking here.

Requirement Report

The Requirement report shows your Net Total Reserve Requirement, Reserves to be Maintained and Total Balance to be Maintained with the FRB.

REQUIREMENT		MAINTENANCE PERIOD 05/26/2004		
		Point in Time: <input type="text" value="Now"/>		
	Deposit Data Status: Revised Final	Daily Average Deposits	Percent Applied	Daily Average Requirement
Reservable Liabilities From: 04/13/2004 - 04/26/2004				
Net Transaction Accounts				
Exempt		6,600		
Up to 38,800		38,800	3	1,164
Over 38,800		92,303	10	9,230
Gross Reserve Requirement				10,394
Less Tranche Loss Adjustment				0
Net Total Reserve Requirement				10,394
Reported Vault Cash		3,796		
Less Usable Vault Cash				3,796
Reserves to be Maintained				6,598
Clearing Balance Requirement				150
Total Balance to be Maintained with the FRB San Francisco				6,748


...and a glossary pops up .



Requirement Report

New Feature:

The default "Point In Time" for Requirement reports is "Now," showing you the most up-to-date information available. To view a report generated at a point in time in the past, select a date from the pulldown menu.

REQUIREMENT		MAINTENANCE PERIOD 05/26/2004	
			Point in Time: <input type="text" value="Now"/>
			<input type="text" value="Now"/> 05/24/2004 End of Day 05/04/2004 End of Day
<u>Deposit Data Status:</u> Revised Final		Daily Average Deposits	
Reservable Liabilities From: 04/13/2004 - 04/26/2004			
Net Transaction Accounts			
Exempt	6,600		
Up to 38,800	38,800	3	1,164
Over 38,800	92,303	10	9,230
Gross Reserve Requirement			10,394
Less Tranche Loss Adjustment			0
Net Total Reserve Requirement			10,394
Reported Vault Cash	3,796		
Less Usable Vault Cash			3,796
Reserves to be Maintained			6,598
Clearing Balance Requirement			150
Total Balance to be Maintained with the FRB San Francisco			6,748

Requirement Report

To see detail on the Reservable Liabilities associated with this Requirement Report, click here.

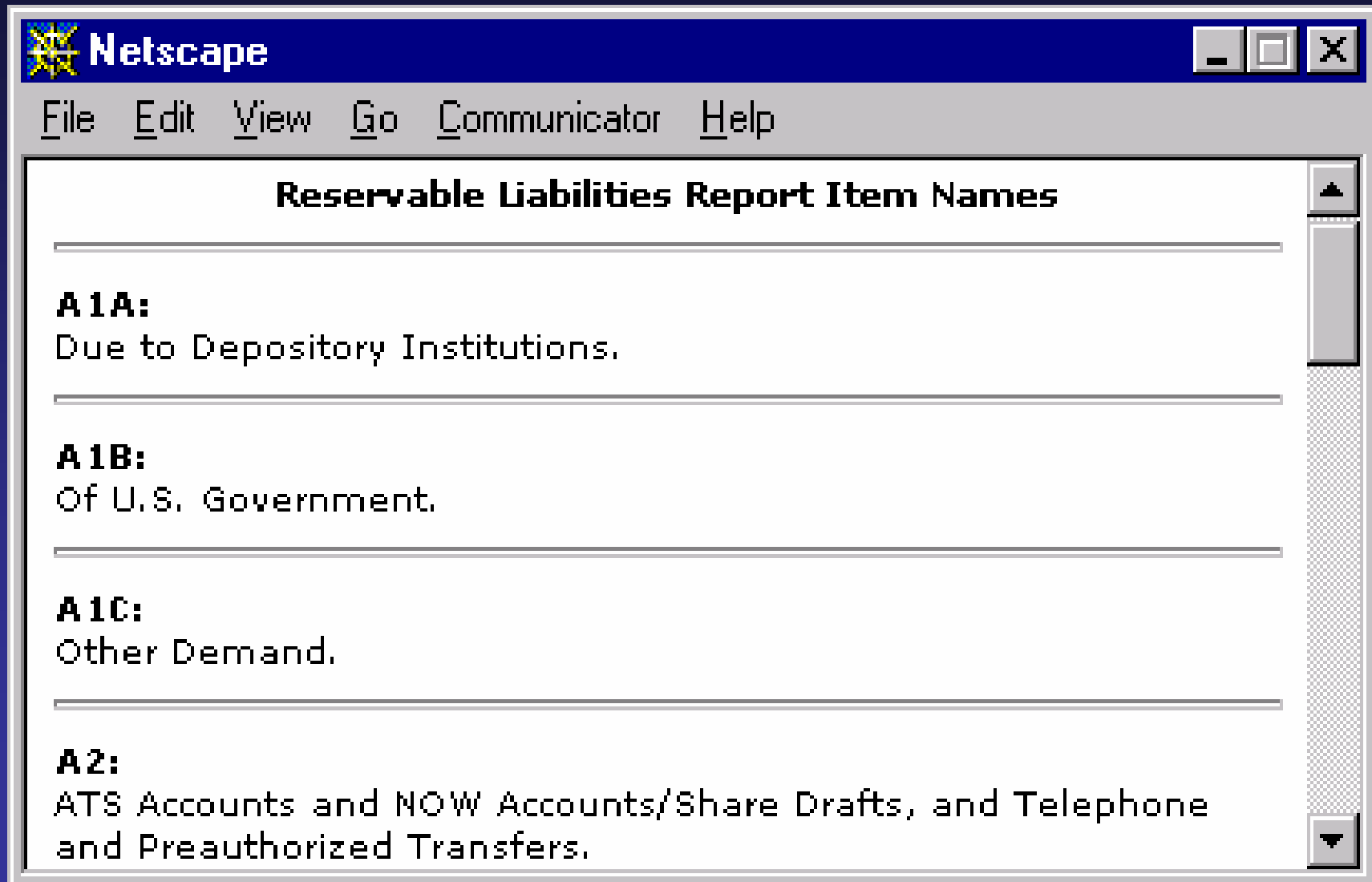
REQUIREMENT		MAINTENANCE PERIOD 05/26/2004		
		Point in Time: <input type="text" value="Now"/>		
Deposit Data Status:	Revised Final	Daily Average Deposits	Percent Applied	Daily Average Requirement
Reservable Liabilities From: 04/13/2004 - 04/26/2004				
Net Transaction Accounts				
Exempt		6,600		
Up to 38,800		38,800	3	1,164
Over 38,800		92,303	10	9,230
Gross Reserve Requirement				10,394
Less Tranche Loss Adjustment				0
Net Total Reserve Requirement				10,394
Reported Vault Cash		3,796		
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Reserves to be Maintained				6,598
Clearing Balance Requirement				150
Total Balance to be Maintained with the FRB San Francisco				6,748

Reservable Liabilities

The Reservable Liabilities report shows data from your FR2900 report that were used to calculate your reserve requirement.

RESERVABLE LIABILITIES		MAINTENANCE PERIOD 05/26/2004	
<u>Report Item</u>	Aggregate Amounts for Computation Period		
	04/19/2004	04/26/2004	
Deposits			
A.1.a	0	0	
A.1.b	487	217	
A.1.c	749,170	761,841	
A.2	289,270	286,725	
B.1	9,371	0	
B.2	69,490	81,007	
E.1	26,630	26,507	
F.2	0	0	
AA1	0	0	
AA2	0	0	
Eurocurrency			
Foreign Borrowing	0	0	
Liabilities To Own	0	0	
Claims On Own	0	0	
Total Assets	0	0	
Assets Acquired	0	0	
Credit Extended	0	0	

...and a glossary pops up.



Correspondent And Pass-Through Requirement

New Feature:

For correspondents, the requirement report shows your own required balance and that of your respondents.

CORRESPONDENT AND PASS-THROUGH REQUIREMENT

MAINTENANCE PERIOD 05/26/2004

	Daily Average Deposits	Percent Applied	Daily Average Requirement
Deposit Data Status: Final			
Reservable Liabilities From: 04/22/2004 - 04/28/2004			
Net Transaction Accounts			
Exempt	6,600		
Up to 38,800	38,800	3	1,164
Over 38,800	229,585	10	22,959
Gross Reserve Requirement			24,123
Less Tranche Loss Adjustment			0
Net Total Reserve Requirement			24,123
Reported Vault Cash	38,541		
Less Usable Vault Cash			24,123
Reserves to be Maintained			0
Clearing Balance Requirement			15,000
Own Balance to be Maintained with FRB San Francisco			15,000
1 of 1 Weekly Respondents - Reserves to be Maintained		Final	0
3 of 3 Quarterly Respondents - Reserves to be Maintained		Final	454
Own and Respondent Balance to be Maintained with FRB San Francisco		Final	15,454

Correspondent And Pass-Through Requirement

New Feature:

This the lower part of the Requirement report for a correspondent. It provides requirement information for each respondent.

WEEKLY RESPONDENTS

ABA	Name	Net Reserve Requirement	Usable Vault Cash	Required Balance	Deposit Data Status
124999999		No Reserve Requirement			Final

QUARTERLY RESPONDENTS

ABA / Name	Quarterly MP Ending	Net Reserve Requirement	Usable Vault Cash	Average Required Balance	Deposit Data Status
124199999	05/19/2004	RR Met by Vault Cash			Final
	05/26/2004	RR Met by Vault Cash			
124300999	05/19/2004	722	495		Final
	05/26/2004	722	495	227	
124399999	05/19/2004	No Reserve Requirement			

ReserveCalc

The screenshot shows the ReserveCalc web application interface. At the top left is the logo "ReserveCalc" with a large green "R". Below the logo is a section titled "Select Date and Reserve Report" containing a date dropdown menu set to "06/02/2004". A red arrow points to this dropdown. Below the date menu is a list of search links: "Balance Calculator", "Position", "Account Balances", "As-of Adjustments", "Requirement", "Reservable Liabilities", and "Position History". A red arrow points to the "Position History" link. Below the search links is a "Print Report" button with a printer icon. At the bottom is a "Useful Links" section with two links: "R&R Reporting & Reserves" and "Account Mgmt. Info.".

Next, let's explore Position History. To request the Position History starting from 12/23/2003, select this date from the pulldown menu and click on the Position History link.

Position History

The Position History report shows your position for each maintenance period. Let's drill down to find out more detail on this deficiency on 03/31/2004.

Click on the link to retrieve the Position report.

POSITION HISTORY

MAINTENANCE PERIOD
12/24/2003

Maintenance Period End Date	Final Position	Clearing Balance Deficiency Charge	Reserve Deficiency Charge	Total Charge	Charge Disposition	Charge Date
06/09/2004	1,092 *	N/A	N/A	N/A		
05/26/2004	0 *	N/A	N/A	N/A		
05/12/2004	0 *	N/A	N/A	N/A		
04/28/2004	0	0.00	0.00	0.00		
04/14/2004	0	0.00	0.00	0.00		
03/31/2004	-77	95.12	0.00	95.12	Charged	05/19/2004
03/17/2004	0	0.00	0.00	0.00		
03/03/2004	0	0.00	0.00	0.00		
02/18/2004	0	0.00	0.00	0.00		
02/04/2004	338	0.00	0.00	0.00		
01/21/2004	0	0.00	0.00	0.00		
01/07/2004	140	0.00	0.00	0.00		
12/24/2003	0	0.00	0.00	0.00		

Final Position Report

The Final Position Report shows detailed position information including Total Requirement, Total Maintained, Gross Position and Net Position.

POSITION - FINAL DIRECT	MAINTENANCE PERIOD 03/31/2004
Reserve Requirement	706
Clearing Balance Requirement	150
Total Requirement	856
Usable Vault Cash	235
Account Balances	494
As-of Adjustments	0
Total Maintained	729
Gross Position	-127
Carry-Over from Prior Period	0
Clearing Balance Allowance	-25
Subtotal	-102
Allowable Carry-Over to Next Period	-25
Carry-Over Offset in Next Period	-25
Net Position	-77

The following deficiency charge was assessed on 05/19/2004:

Clearing Balance Deficiency Charge Calculated @ 2.0%	23.01
Clearing Balance Deficiency Charge Calculated @ 4.0%	72.11

Key Points

- Access ReserveCalc anytime for report information
- View reserve requirement on-line (no need to wait for scheduled reports)
- Use the Balance Calculator to calculate target balances
- Drill down for information
- Point and click for information
- Includes on-line Help Features (explains terminology and calculations)

For More Information

Visit ReserveCalc on the Reporting and Reserves Website at:

www.reportingandreserves.org

For more information on an existing EUAC, or how to designate a EUAC at your institution, please contact the Customer Contact Center (CCC) at (816) 881-2698. You can send your completed subscriber forms via fax to (800) 485-6089, or email to kc.csc@kc.frb.org. The original EUAC form should be sent via mail to:

**Customer Contact Center
P.O. Box 219416
Kansas City, MO 64121-9416**

Questions regarding ReserveCalc? Contact Eartha Collins, District Coordinator, at: (212) 720-5993