



12 CFR Part 204

[Docket No. R-1810]

RIN 7100-AG61

Regulation D: Reserve Requirements of Depository Institutions

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final rule; technical amendments.

SUMMARY: The Board of Governors of the Federal Reserve System (“Board”) is amending two sections of Regulation D to conform the provisions to prior regulatory amendments.

DATES: *Effective date:* This rule (amendments to part 204 (Regulation D)) is effective [INSERT DATE OF PUBLICATION IN THE FEDERAL REGISTER].

FOR FURTHER INFORMATION CONTACT: Sophia H. Allison, Senior Special Counsel (202-452-3565), Legal Division; for users of telephone systems via text telephone (TTY) or any TTY-based Telecommunications Relay Services, please call 711 from any telephone, anywhere in the United States; Board of Governors of the Federal Reserve System, 20th and C Streets, NW, Washington, DC 20551.

SUPPLEMENTARY INFORMATION:

I. Statutory and Regulatory Background

For monetary policy purposes, section 19 of the Federal Reserve Act (“Act”) requires the Board to impose reserve requirements on certain types of deposits and other

liabilities of depository institutions within ratios specified by the Act.¹ The Board’s Regulation D implements section 19 of the Act.²

II. Amendments to Regulation D

Three of the definitions in Regulation D – footnote 3 to the definition of “time deposit,” footnote 6 to the definition of “nonpersonal time deposit,” and footnote 11 to the definition of “international banking facility time deposit or IBF time deposit” – refer to liabilities maintained by depository institutions for “[a]ny other foreign, international, or supranational entity specifically designated by the Board.”³ The foreign, international, or supranational entities specifically designated by the Board for these purposes are set forth at 12 CFR 204.125 of Regulation D as an interpretation of the regulation.⁴ This interpretation was originally promulgated as § 217.126 of former Regulation Q (Prohibition Against Payment of Interest on Demand Deposits).⁵ The interpretation was deleted from Regulation Q and redesignated as § 204.125 of Regulation D in 1987.⁶ However, while the references to the interpretation in footnotes 3 and 11 of Regulation D were updated to refer to § 204.125

¹ 12 U.S.C. 461(b).

² Regulation D (12 CFR part 204). In March 2020, the Board set all reserve requirement ratios to zero percent. See Interim final rule (Regulation D), 85 FR 16525 (Mar. 24, 2020); Final rule (Regulation D), 86 FR 8853 (Feb. 10, 2021).

³ 12 CFR 204.2(c)(1)(iii)(E) n. 3 (definition of “time deposit”); 12 CFR 204.2(f)(1)(iv)(E) n.6 (definition of “nonpersonal time deposit”); 12 CFR 204.8(a)(2)(i)(B)(5) n.11 (definition of “international banking facility time deposit or IBF time deposit”).

⁴ “Foreign, international, and supranational entities referred to in §§ 204.2(c)(1)(iv)(E) and 204.8(a)(2)(i)(B)(5),” 12 CFR 204.125.

⁵ Entities Exempt From Interest Rate Limitations (Regulation Q), 35 FR 1156 (Jan. 29, 1970). In 2010, Regulation Q was repealed as a result of the repeal of former section 19(i) of the Act. Final rule (Regulations D, Q, and DD), 76 FR 42015 (July 18, 2011).

⁶ Recission and revision of interpretations; technical amendments of regulation (Regulations D and Q), 52 FR 47689, 47695 (Dec. 16, 1987) (redesignating 12 CFR 217.126 of former Regulation Q as 12 CFR 204.125 of Regulation D).

instead of § 217.126, the reference in footnote 6 (formerly footnote 8) of Regulation D was not and continues to refer to § 217.126 instead of referring to § 204.125.⁷ Accordingly, footnote 6 of Regulation D is amended to refer to § 204.125 instead of § 217.126 in order to conform the provision to Regulation D amendments finalized in 1987.

In addition, the heading and the introductory text of the interpretation set forth at 12 CFR 204.125 require two amendments to conform the interpretation to prior regulatory amendments. In 12 CFR 204.125, the heading currently reads “§ 204.125 Foreign, international, and supranational entities referred to in §§ 204.2(c)(1)(iv)(E) and 204.8(a)(2)(i)(B)(5)” and the introductory text reads “The entities referred to in §§ 204.2(c)(1)(iv)(E) and 204.8(a)(2)(i)(B)(5) are:”.

First, the references to § 204.2(c)(1)(iv)(E) in the heading and the introductory text are amended to refer to § 204.2(c)(1)(iii)(E) in order to conform the heading and the introductory text to Regulation D amendments finalized in 2020.⁸ Second, the heading and the introductory text are amended to add a reference to the definition of “nonpersonal time deposit,” 12 CFR 204.2(f)(1)(iv)(E), to conform the heading and the introductory text to Regulation D amendments finalized in 1991.⁹

⁷ Current footnote 3 (formerly footnote 4) of Regulation D was amended to refer to § 204.125 in 1987. Recission and revision of interpretations; technical amendments of regulation (Regulations D and Q), 52 FR 47689, 47695 (Dec. 16, 1987). Current footnote 11 (formerly footnote 14) was amended to refer to § 204.125 in 1991. Final rule (Regulation D), 56 FR 15493, 15495 (Apr. 17, 1991). Footnote 4 was redesignated to its current position as footnote 3, footnote 8 was redesignated to its current position as footnote 6, and footnote 14 was redesignated to its current position as footnote 11 in 1996. Final rule (Regulation D), 61 FR 69020, 69025 (Dec. 31, 1996).

⁸ Interim final rule (Regulation D), 85 FR 23445, 23447 (Apr. 28, 2020) (deleting § 204.2(c)(1)(ii) and redesignating § 204.2(c)(1)(iv) as § 204.2(c)(1)(iii)).

⁹ Final rule (Regulation D), 56 FR 15493, 15495 (Apr. 17, 1991) (amending heading and introductory text of § 204.125 to refer to §§ 204.2(c)(1)(iv)(E) and 204.8(a)(2)(i)(B)(5)).

III. Administrative Procedure Act

In general, the Administrative Procedure Act (“APA”)¹⁰ imposes three principal requirements when an agency promulgates legislative rules (rules made pursuant to congressionally-delegated authority): (1) publication with adequate notice of a proposed rule; (2) followed by a meaningful opportunity for the public to comment on the rule’s content; and (3) publication of the final rule not less than 30 days before its effective date. The APA provides that notice and comment procedures do not apply if the agency for good cause finds them to be “unnecessary, impracticable, or contrary to the public interest.”¹¹ Section 553(d) of the APA also provides that publication at least 30 days prior to a rule’s effective date is not required for (1) a substantive rule which grants or recognizes an exemption or relieves a restriction; (2) interpretive rules and statements of policy; or (3) a rule for which the agency finds good cause for shortened notice and publishes its reasoning with the rule.¹²

The Board has determined that good cause exists for finding that the notice, public comment, and delayed effective date provisions of the APA are unnecessary, impracticable, or contrary to the public interest with respect to these final amendments to Regulation D. The amendments are technical in nature and do not change any of the substantive provisions of the rule. Notice, public comment, and a delayed effective date under these circumstances would not serve any useful purpose. Accordingly, the Board has determined that good cause exists to dispense with the notice, public comment, and

¹⁰ 5 U.S.C. 551 *et seq.*

¹¹ 5 U.S.C. 553(b)(3)(B).

¹² 5 U.S.C. 553(d).

delayed effective date procedures of the APA with respect to these final amendments to Regulation D.

IV. Regulatory Flexibility Analysis

The Regulatory Flexibility Act (“RFA”) does not apply to a rulemaking where a general notice of proposed rulemaking is not required.¹³ As noted previously, the Board has determined that it is unnecessary and contrary to the public interest to publish a general notice of proposed rulemaking for this final rule. Accordingly, the RFA’s requirements relating to an initial and final regulatory flexibility analysis do not apply.

V. Paperwork Reduction Act

In accordance with the Paperwork Reduction Act (“PRA”) of 1995,¹⁴ the Board reviewed the final rule under the authority delegated to the Board by the Office of Management and Budget. The final rule contains no requirements subject to the PRA.

List of Subjects in 12 CFR Part 204

Banking, Banks, Reporting and recordkeeping requirements.

Authority and Issuance

For the reasons set forth in the preamble, the Board amends 12 CFR part 204 as follows:

PART 204—RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS (REGULATION D)

1. The authority citation for part 204 continues to read as follows:

Authority: 12 U.S.C. 248(a), 248(c), 461, 601, 611, and 3105.

2. Section 204.2 is amended by revising paragraph (f)(1)(iv)(E) to read as follows:

¹³ 5 U.S.C. 603, 604.

¹⁴ 44 U.S.C. 3506; see 5 CFR part 1320, appendix A.1.

§ 204.2 Definitions.

* * * * *

(f) * * *

(iv) * * *

(E) Any other foreign, international, or supranational entity specifically designated by the Board.⁶

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⁶ The designated entities are specified in 12 CFR 204.125.

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3. Section 204.125 is amended by revising the section heading and introductory text to read as follows:

§ 204.125 Foreign, international, and supranational entities referred to in

§§ 204.2(c)(1)(iii)(E) and (f)(1)(iv)(E) and 204.8(a)(2)(i)(B)(5).

The entities referred to in §§ 204.2(c)(1)(iii)(E) and (f)(1)(iv)(E) and 204.8(a)(2)(i)(B)(5) are:

* * * * *

By order of the Board of Governors of the Federal Reserve System, acting through the Secretary of the Board under delegated authority.

Ann Misback,
Secretary of the Board.