

Federal Reserve Bank of San Francisco  
101 Market Street, San Francisco, California 94105

April 11, 2012

To State Member Banks, Bank  
Holding Companies, Financial Holding  
Companies, Foreign Bank Offices and  
Savings and Loan Holding Companies  
in the Twelfth Federal Reserve District

**Federal Reserve Approves Final Rule to Simplify Administration of Reserve Requirements and Reduce Costs for Depository Institutions and Federal Reserve Banks**

The Federal Reserve Board on April 5, 2012 announced the approval of a final rule to simplify the administration of reserve requirements and reduce administrative and operational costs for depository institutions and Federal Reserve Banks. The rule does not affect the stance of monetary policy.

The rule, which amends Regulation D (Reserve Requirements of Depository Institutions), simplifies reserves administration by

- creating a common two-week maintenance period
- creating a penalty-free band around reserve balance requirements in place of using carryover and routine penalty waivers
- discontinuing as-of adjustments related to deposit report revisions and replacing all other as-of adjustments with direct compensation
- eliminating the contractual clearing balance program

The amendments to Regulation D will be implemented in two phases. The amendments related to the elimination of contractual clearing balances and as-of adjustments, and those related to the provision of direct compensation, will take effect on July 12, 2012. The amendments on the creation of a common two-week maintenance period and replacement of carryover and routine waivers with a penalty-free band around reserve balance requirements will take effect on January 24, 2013. The Board will provide the public with notice no later than November 1, 2012, if the January 24, 2013, date will be delayed.

The Board also approved a final rule amending Regulation J (Collection of Checks and Other Items by Federal Reserve Banks and Funds Transfers through Fedwire) to eliminate references to "as-of adjustments," consistent with the final amendments to Regulation D, and to make clarifications about the handling of checks sent to the Federal Reserve Banks and the application of Regulation J's funds transfer rules to remittance transfers. The final amendments to Regulation J will take effect on July 12, 2012, concurrent with the implementation of the corresponding amendments to Regulation D on the elimination of as-of adjustments.

The Board is also announcing two modifications to its overnight overdraft policy that will take effect on July 12, 2012. These modifications are (1) a change in the reference rate for computing charges for overnight overdrafts from the effective federal funds rate to the primary credit rate and (2) a multiday charge on overnight overdrafts incurred immediately before a weekend or holiday.

The Board's notices for the final rules amending Regulation D and Regulation J are attached and will be published shortly in the *Federal Register*.

## **Additional Information**

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

For additional information, please contact:

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**Attachment:** [Federal Register Notice -- Regulation D, Final Rule \(407 KB PDF\)](#)

[Federal Register Notice -- Regulation J, Final Rule \(123 KB PDF\)](#)

[Board Voting Record](#)