Report of Transaction Accounts, Other Deposits and Vault Cash (FR 2900)

For use by building or savings and loan associations, mutual savings banks, cooperative banks, homestead associations, and savings banks

New Booklet--September 2003

Enclosed is a revised version of the instructions booklet for preparation of the FR 2900 for both weekly and quarterly respondents. Please discard the entire earlier version of the booklet and replace it with this version.

The FR 2900 reporting instructions have been revised to reflect the following:

- the change of the definition of "nonexempt" *from* total reservable liabilities greater than the exemption amount *to* net transaction accounts greater than the exemption amount
- the implementation of a reduced reporting limit - any institution with total deposits greater than or equal to the reduced reporting limit must report the FR 2900 weekly[1]
- the addition of net Eurocurrency liabilities to the FR 2900 report, to be reported one day each year beginning June 2004 (new Schedule CC)
- clarification of the reporting treatment of deposits at U.S military facilities abroad, wherever located
- clarification of those transactions that count against MMDA withdrawal limits
- the reduction of the reporting frequency for two nonpersonal deposit items, Total Nonpersonal Savings and Time and Amount of Ineligible Acceptances, and Funds Obtained Through Issuance of Obligations by Affiliates Maturing in 7-days or More (Nonpersonal Only), to once each year in June.

The Glossary has been updated to include the terms "net transaction account", nonexempt deposit cutoff, and reduced reporting limit. There are no definitional changes to the terms that appear in the Glossary; rather, some terms have been updated and clarified.

The instructions are now available on the Federal Reserve Board's Reporting Forms website, http://www.federalreserve.gov/boarddocs/reportforms/default.cfm.

[1] Initially set at $1 billion in 2003, the reduced reporting limit is indexed to 80 percent of the June 30-to-June 30 growth in total deposits at all depository institutions. As with current indexation procedures, if total deposits decline in that period, the reduced reporting limit would remain unchanged.

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INTRODUCTION

The Report of Transaction Accounts, Other Deposits and Vault Cash (FR 2900) is required from all banking Edge and Agreement corporations and U.S. branches and agencies of foreign banks, regardless of the level of their net transaction accounts or total deposits, and from all other depository institutions in the United States with net transaction accounts greater than the exemption amount or total deposits greater than or equal to the reduced reporting limit as of the periods specified by the Federal Reserve Board.[1] This report is used by the Federal Reserve for the calculation of federal required reserves, for construction of the monetary aggregates, and to meet the requirement that the exemption amount be indexed annually as specified by the Federal Reserve Act. Rules governing the reserve requirements are contained in Federal Reserve Regulation D--Reserve Requirements of Depository Institutions of the Board of Governors of the Federal Reserve System (12 CFR Part 204).

This booklet presents detailed instructions for the preparation of these reports by building or savings and loan associations, mutual savings banks, cooperative banks, homestead associations, and savings banks.

Separate instruction booklets are provided for other types of depository institutions, as follows:

- -- commercial and industrial banks and banking Edge and Agreement corporations;
- -- credit unions; and
- -- U.S. branches and agencies of foreign banks.

These booklets may be obtained upon request from your Federal Reserve Bank and are available on the Federal Reserve Board's Reporting Forms website at http://www.federalreserve.gov/boarddocs/reportforms/default.cfm.

Depository institutions that are not required to submit the FR 2900 may be subject to reduced deposit reporting, depending on the level of their net transaction accounts and total deposits. A description of this report (FR 2910a) is provided in the Supplementary Information to Regulation D and in the *Reserve Maintenance Manual* issued by the Federal Reserve. Reporting forms and instructions for the reduced

1. Section 411 of the Garn-St Germain Depository Institutions Act of 1982 subjects the first $2.0 million of a depository institution's reservable liabilities to a reserve requirement of zero percent. The amount of reservable liabilities subject to the zero-percent reserve requirement (the "exemption amount") is adjusted each year for the next succeeding calendar year by 80 percent of the percentage increase in total reservable liabilities of all depository institutions, measured on an annual basis as of June 30. (No corresponding adjustment is made in the event of a decrease in total reservable liabilities of all depository institutions.)

The revised exemption amount determined on the basis of the June 30 data is to be effective for the following calendar year. The exemption amount is used in two ways. First, it is used for all FR 2900 reporters in the reserve requirement calculations during the calendar year (January through December) following the announcement of the revised amount. Second, for those depository institutions whose deposits reporting status is based on the level of their net transaction accounts, it is used to determine who must file the FR 2900 versus who is eligible for reduced reporting for the 12-month period beginning in the September following the announcement of the revised exemption amount each year. For example, the exemption amount for calendar year 2003, which is based on data as of June 30, 2002, is $6.0 million. This exemption amount is used for reserve requirement calculations during calendar year 2003 and for determining the FR 2900 reporting panels from September 2003 to September 2004.

The procedures used to measure total reservable liabilities, and thus to determine who must file the FR 2900 are described in the Supplementary Information to Regulation D and in the chapter titled "Reporting Requirements" of the Reserve Maintenance Manual issued by the Federal Reserve.

report (FR 2910a) may be obtained upon request from your Federal Reserve Bank and are available on the Federal Reserve Board's Reporting Forms website at http://www.federalreserve.gov/boarddocs/reportforms/default.cfm.

Subsequent sections of this booklet are organized as follows. Section I provides detailed instructions for preparation of the Report of Transaction Accounts, Other Deposits and Vault Cash (FR 2900). Section II provides item-by-item instructions for all items on the report. A Glossary defines in alphabetical order important terms and phrases that appear underlined in Parts I and II. An Appendix contains the Summary of Legitimate Interseries Differences Between the Report of Transaction Accounts, Other Deposits and Vault Cash (FR 2900) and the Thrift Financial Report (OTS 1313).

Accurate preparation of these reports is an important first step in the reserve maintenance cycle. Based on the deposit levels that your depository institution reports each reporting period, the Federal Reserve calculates the level of reserves that must be maintained at or passed through to a Federal Reserve Bank on these deposits under the reserve maintenance schedule stipulated by Regulation D. Efficient reserve management begins with accurate and timely deposit reporting. Errors in reporting may result in higher reserve requirements, which could reduce your institution's potential earnings, or in insufficient reserves, which may subject your institution to the assessment of penalties.

In addition to their use in the calculation of required reserves, data from these reports are basic to the construction of the monetary aggregates that are used by the Federal Reserve System in the formulation and conduct of monetary policy. Inaccurate reporting may result in a deterioration in the quality of the monetary aggregate estimates.

The following instructions are based on Regulation D and in no way alter or modify the requirements of Regulation D. While every effort has been made to incorporate all existing regulatory provisions, applicable regulations, interpretations, and legal opinions governing deposits subject to reserve requirements, this booklet should not be considered the final authority on the deposit status of all instruments, obligations, or transactions. Final authority rests with the Board of Governors of the Federal Reserve System. Inquiries concerning specific instruments, obligations, or transactions may be directed to the Federal Reserve Bank in your District.

Filing of data. Weekly and quarterly FR 2900 data may be filed with the Federal Reserve Bank either in hard-copy form or electronically. Please visit www.reportingandreserves.org/iesub.html or contact your Reserve Bank for information on electronic submission of your data.

Please note that if a depository institution has its data prepared or transmitted by a private vendor, the depository institution is responsible for the timeliness and accuracy of data to the same extent as if it had prepared and transmitted the data itself. The depository institution may be contacted directly by and be responsible for responding to the Federal Reserve on edit questions.

INSTRUCTIONS FOR PREPARATION OF THE REPORT OF TRANSACTION ACCOUNTS, OTHER DEPOSITS AND VAULT CASH (FR 2900)

Public reporting burden for this collection of information is estimated to vary from 1 to 12 hours per response, with an average of 3.50 hours per response, including time to gather and maintain data in the required form and to review instructions and complete the information collection. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Secretary, Board of Governors of the Federal Reserve System, 20th and C Streets, N.W., Washington, D.C. 20551; and to the Office of Management and Budget, Paperwork Reduction Project (7100-0087), Washington, D.C. 20503.

SECTION 1--GENERAL INSTRUCTIONS

A. Who Must Report.

This report is required from each of the following types of institutions with net transaction accounts greater than the exemption amount[1] or with total deposits greater than or equal to the reduced reporting limit as determined annually by procedures described in the Supplementary Information to Regulation D and in the Reserve Maintenance Manual issued by the Federal Reserve. (This determination is made each July.)

A.1. Any savings bank or mutual savings bank as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813(f) and (g)).

A.2. Any member of a Federal Home Loan Bank as defined in section 2 of the Federal Home Loan Bank Act (12 U.S.C. 1422(2)).

A.3. Any institution insured by or eligible to apply for insurance from the Savings Association Insurance Fund as defined in sections 401 and 403 of the National Housing Act (12 U.S.C. 1724 (a) and 1726). Institutions eligible to apply for such insurance include federally-chartered savings and loan associations; federally-chartered mutual savings banks; building and loan, savings and loan, and homestead associations; and cooperative banks.

A.4 Any depository institution that opens during the year will be asked to submit an FR2910a report on June 30, unless its size warrants earlier reporting.

B. Frequency of Report.

For building or savings and loan associations, mutual savings banks, cooperative banks, homestead associations, and savings banks, FR 2900 reporting frequency is determined annually (usually in July) and is based on the institution's net transaction accounts and total deposits as of prescribed periods. The specific periods and procedures used to make these determinations are described in the Supplementary Information to Regulation D and in the chapter titled "Reporting Requirements" of the *Reserve Maintenance Manual* issued by the Federal Reserve.

B.1. An institution with net transaction accounts greater than the exemption amount and total deposits greater than or equal to the nonexempt deposit cutoff, or with total deposits greater than or equal to the reduced reporting limit, as of the prescribed measurement period shall submit the FR 2900 each week. The reporting week is the seven-day period that begins on Tuesday and ends on the following Monday.

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1. Terms and phrases that have been underlined are defined and described in alphabetical order in the glossary section of this booklet.

2. The "nonexempt deposit cutoff", is established by the Federal Reserve. The cutoff in effect for any one calendar year is used to determine weekly versus quarterly FR 2900 reporting panels for September of that year to September of the following year. The current nonexempt cutoff can be found in the Reserve Maintenance Manual, page IV-4.

B.2. An institution with net transaction accounts greater than the exemption amount and total deposits *less than* the nonexempt deposit cutoff as of the prescribed measurement period shall submit the FR 2900 quarterly, once each March, June, September, and December. The quarterly reporting week is the seven-day period that begins on the third Tuesday of a given month and ends on the following Monday.

B.3 The twelve daily items should be reported for each day of the weekly or quarterly report week, and the three single day items should be reported only one day each year, in June. For weekly FR 2900 reporters, that single day is June 30. For quarterly FR 2900 reporters, that single day is the Monday contained in the standard June reporting week. The single day items are "total nonpersonal savings and time deposits" (line BB.1), "ineligible acceptances and obligations issued by affiliates maturing in 7 days or more-nonpersonal only" (line BB.2), and "net eurocurrency liabilities" (Schedule CC).

NOTE: Requests for Revised Data
Federal Reserve System staff review data submitted on the FR 2900 report very carefully to ensure that the data are accurate. As a result of that review, Reserve Bank staff may ask reporting institutions to explain movements in the data, and, if reported data are incorrect, will ask the institution to submit revisions. Since these data are extremely time-sensitive, respondents should respond as quickly as possible to these requests.

C. How to Report.

The FR 2900 shall reflect amounts outstanding as of the close of business each day during the reporting period. The report should be prepared in accordance with the procedures described below.

C.1. Treatment of International Banking Facility (IBF) Accounts.

An IBF may be established in the United States by a U.S. depository institution, a U.S. branch or agency of a foreign bank, or an Edge or agreement corporation. An IBF is a set of asset and liability accounts segregated on the books and records of the establishing entity. Permissible IBF assets and permissible IBF liabilities are defined in Federal Reserve Regulation D [12 CFR 204.8(a) (2) and (3)]. IBF liabilities are exempt from reserve requirements and thus should be *excluded* from this report. However, certain transactions of the establishing entity with its own IBF may be Eurocurrency liabilities of the establishing entity and, if so, should be included in the calculation of net Eurocurrency liabilities on Schedule CC.

C.2. Consolidation.

A consolidated report must be prepared that combines all deposits, vault cash, and allowable deductions of the following entities:

a. the head office;

b. all branches located in the 50 states of the United States or the District of Columbia;

c. all majority owned service corporation subsidiaries located in the 50 states of the United States or the District of Columbia; and

d. all majority owned operations subsidiaries located in the 50 states of the United States or the District of Columbia; and

e. all branches on U.S military facilities, wherever located.

Preparing a Consolidated FR 2900 Report

Step 1: Combine comparable accounts of the reporting institution's individual entities on an account by account basis.

EXAMPLE: Demand accounts held by an institution's own operation subsidiaries (e.g., credit card companies, mortgage companies, leasing companies, or safe deposit companies) held at other depository institutions and reservable liabilities to third parties held on the books of the operation subsidiaries.

Step 2: Eliminate all inter-office transactions that reflect the existence of debtor-creditor relationships among the entities and entity branches to be consolidated (including operation subsidiaries).

EXAMPLE: Cash that is owed to the parent bank (head office) by a branch.

NOTE: The consolidation basis to be used in preparing the FR 2900 may differ from the Report of Condition and certain other reports.

EXAMPLE: "Checks on hand" received at a reporting institution's operations subsidiary or service corporation should be combined with the reporting institution's "cash items in process of collection." Demand accounts of a reporting institution's operations subsidiary or service corporation at institutions other than the parent should be combined with the reporting institution's balance "due from other depository institutions." Similarly, obligations of an operations subsidiary or service corporation that meet the definition of "deposits" should be included as deposit liabilities of the parent reporting institution.

C.3. Denomination. Amounts should be rounded and reported to the nearest thousand U.S. dollars.

C.4. Foreign (non-U.S.) currency-denominated transactions. Transactions denominated in non-U.S. currency must be valued in U.S. dollars *each reporting week* either by using the exchange rate prevailing on the Tuesday that begins the seven-day reporting week or by using the exchange rate prevailing on each corresponding day of the reporting week.

Regardless of which of the above two options is elected, the exchange rates to be used for this conversion are either the 10:00 a.m. rates quoted for major currencies by the Federal Reserve Bank of New York, or the noon buying rates certified by the Federal Reserve Bank of New York for customs purposes, or some other consistent series of exchange rate quotations. These procedures will apply to all foreign-currency deposits that are outstanding during any one day of the reporting week, including those that are received by the depository institution after the start of the reporting week (Tuesday) or paid out before the close of the reporting week (the following Monday).

Once a depository institution chooses to value foreign currency transactions by using either the weekly (Tuesday) method or the daily (corresponding day) method, it must use that method consistently over time for all Federal Reserve reports. If at some future time thereafter the depository institution wishes to change its valuation procedure from one of these two methods to the other, the change must be applied to all Federal Reserve reports and then used consistently thereafter. Please notify your Federal Reserve Bank of any such change.

NOTE: Foreign currency-denominated deposits held at U.S. offices of a depository institution must be converted to U.S. dollars under the procedures stipulated above and included as appropriate in Section A, B, C, or D (and F where applicable), or in Schedule AA, BB, or CC of the FR 2900. In addition, all FR 2900 respondents, both weekly and quarterly, that offer foreign currency-denominated deposits at their U.S. offices must file the Report of Foreign (non-U.S.) Currency Deposits (FR 2915), which breaks out the amounts of such deposits, converted to U.S. dollars, that are included in selected FR 2900 line items. For information on the FR 2915, please contact your Federal Reserve Bank.

C.5 Overdrafts or negative balances. Unless covered by the bona fide cash management arrangement,[1] all deposit accounts with a negative balance as of the close of business each day (whether resulting from prearranged or unplanned overdrafts or from operating or other factors) are to be regarded as having a *zero* balance for purposes of computing deposit totals. Moreover, any overdrawn deposit account by a customer should be regarded as a loan made by the reporting institution to that customer; and the amount of the overdraft should be regarded as zero and not be reported as a negative deposit. (Also see Subsection G, Treatment of Trust Funds.)

Deposit accounts which the reporting institution maintains at another depository institution that have negative balances should be regarded as having zero balances when computing totals for Item B.1, Demand balances due from depository institutions.

Specifically, when an account which the reporting institution routinely maintains with sufficient balances to cover checks or drafts issued in the normal course of business becomes overdrawn at another depository institution, negative balances that result from such occasional overdrafts are regarded as a borrowing and therefore should not be included in this report.

However, checks or drafts drawn against an account that is not routinely maintained with sufficient balances, or that are drawn against a "zero balance account" (for example, an account wherein funds are remitted by the reporting institution only when it has been advised that the checks or drafts have been presented for payment) are considered to be demand deposits and reported in Item A.1.c, Other demand deposits.

C.6. Recordkeeping. The amount reported for each day should reflect the amount outstanding at the "close of business" for that day. The term "close of business" refers to the time established by the reporting institution as the cut-off time for posting transactions to its general ledger accounts for that day. The time designated as close of business should be reasonable and applied consistently.

For purposes of this report, the reporting institution is open when entries are made to the general ledger accounts of the reporting institution for that day. The posting of a transaction to the general ledger account means that both debit and credit entries must be recorded as of the same date. *For any day on which the reporting institution was closed, i.e., no entries are made to the general ledger, report the closing balance as of the preceding day*.

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1. Overdrawn accounts of a depositor who maintains more than one transaction account with the reporting institution may be netted against positive balances in the other transaction accounts pursuant to a bona fide cash management arrangement.

Reservable obligations for which settlement is in clearinghouse or uncollected funds should be reported as of the date that the transaction is executed and not as of the settlement date or date that collected funds are to be received. Transactions that result from prior commitments should be reported on the date that the transaction is executed, not as of the commitment date. However, where payment information (such as that contained on magnetic tape, direct deposit payments, ACH services, paper listings, and similar items involving automated arrangements) is sent to the reporting institution prior to the effective payment date, the institution may credit its depositors' accounts one day prior to the effective payment date in order to ensure that the deposit will be available to the depositor at the opening of business on the payment date. When such prior credit to deposit accounts is given in connection with automated arrangements, the credits should be offset by appropriate debit entries to "cash items in process of collection."

C.7. Unposted debits and credits. Unposted debits consist of cash items drawn on the reporting institution that have been "paid" or credited by the reporting institution and are chargeable, but that have not been charged, against deposits as of the close of business. These items should be reported as "cash items in process of collection" until they have been charged to either individual or general ledger deposit accounts.

Unposted credits consist of items that have been received for deposit and that are in process of collection but have not been posted to individual or general ledger deposit accounts. These credits should be reported as deposits.

C.8. Rejected items. Rejected items (resulting from mutilated documents, incorrect account numbers or other factors) that would otherwise have resulted in credit to deposit accounts should be included in deposit totals for the day on which offsetting charges have been posted. Rejected items that represent withdrawals from deposit accounts and for which corresponding credits have already been recorded should be deducted from deposits as of the close of business for that day.

D. What Liabilities Are Reservable Under Regulation D.

Under the Monetary Control Act of 1980, transaction accounts and nonpersonal "time deposits" (which include nonpersonal savings deposits and nonpersonal time deposits) are subject to federal reserve requirements.[1] Eurocurrency liabilities as defined by Regulation D are also subject to reserve requirements. (See Section II, Schedule CC, Net Eurocurrency Liabilities, for calculation and reporting requirements.) Rules governing reserve requirements are contained in Federal Reserve Regulation D.

Detailed instructions defining transaction accounts, nonpersonal savings deposits, and nonpersonal time deposits can be found in the appropriate item-by-item instructions. Deposits as defined by Regulation D are described in Subsection E immediately below.

Please note, however, that in addition to reservable liabilities, certain nonreservable liabilities are also reported on the Report of Transaction Accounts, Other Deposits and Vault Cash.

1. Nonpersonal savings deposits and nonpersonal time deposits are reservable liabilities even though they currently are subject to a zero-percent reserve requirement.

E. Deposits as Defined Under Regulation D.

In general, Regulation D defines deposits to include both deposits and obligations issued. For purposes of these instructions, deposits are divided into two broad categories of liabilities: Deposits and primary obligations that are undertaken as a means of obtaining funds, regardless of the use of the proceeds.

E.1. Deposits to be reported in Sections A through D, and Section F of the Report of Transaction Accounts, Other Deposits and Vault Cash consist of:

a. Funds (including brokered deposits) received or held by the reporting institution for which credit has been given or is obligated to be given to a transaction account (demand deposit, ATS account, telephone or preauthorized transfer, NOW account, or share draft), a savings deposit account, or a time deposit account. (Also, include interest credited to such accounts.)

b. Funds received or held by departments other than the trust department of the reporting institution for a special or specific purpose, such as escrow funds, funds held as security for securities loaned by the reporting institution, funds deposited as advance payments on subscriptions to U.S. Government securities, and funds held to meet the reporting institution's acceptances.

c. Cashier's checks, certified checks, teller's checks, and other officer's checks issued for any purpose including those issued in payment for services, dividends, or purchases that are drawn on the reporting bank by any of its duly authorized officers and that are outstanding on the report date. This includes:

(1) Those *drawn by the reporting institution on itself and not payable at or through another depository institution*.

(2) Those *drawn by the reporting institution and drawn on, or payable at or through, another depository institution* on a zero-balance account or an account that is *not* routinely maintained with sufficient balances to cover checks drawn in the normal course of business (including accounts where funds are remitted by the reporting institution only when it has been advised that the checks or drafts have been presented).

NOTE: Those checks drawn by the reporting institution on a deposit account at another depository institution which the reporting institution routinely maintains with sufficient balances to cover checks or drafts drawn in the normal course of business should be *excluded* from Item A.1, Demand deposits, and recorded directly as a reduction in Item B.1, Demand balances due from depository institutions in the U.S.

(3) Those checks drawn by the reporting institution on, or payable at or through, a Federal Reserve Bank or a Federal Home Loan Bank. (Report in Item A.1.c, Other demand deposits.)

d. Funds received or held in connection with traveler's checks sold (but not drawn) by the reporting bank, until the proceeds of the sale are remitted to another party. Also includes other funds received or held in connection with any other checks used (but not drawn) by the reporting bank, until the amount of the checks is remitted to another party.

e. Money orders issued for any purposes (including those issued in payment for services, dividends, or purchases) that are drawn on the reporting bank and are outstanding on the report date should be reported as deposits. In addition, funds received or held for money orders sold, but not drawn by the reporting bank should be included as deposits until the proceeds of the sale are remitted to another party.

f. Funds received or held in connection with letters of credit issued to customers, including funds credited to cash collateral accounts and similar accounts.

g. Any obligation to pay a check or draft drawn on the reporting institution that has been presented for collection by a third party when the depositor's account at the reporting institution has already been charged and settlement of the check has not been made.

h. Any funds received by the reporting institution's affiliate and later channeled to the reporting institution by the affiliate in the form of a transaction account, savings deposit, or time deposit.

i. Credit balances.

E.2. For purposes of this report, the following are not considered deposits and should not be reported in Sections A through D, or Section F of the Report of Transaction Accounts, Other Deposits and Vault Cash:

a. Balances due to the IBF of the reporting institution. These balances are included in the calculation of net Eurocurrency liabilities (Schedule CC).

b. Any liabilities of the reporting institution's own IBF.

c. Trust funds received or held by the reporting institution that it keeps properly segregated as trust funds and apart from its general assets or which it deposits in another institution to the credit of itself as trustee or other fiduciary. Please see subsection G for treatment of trust funds.

d. An obligation that represents a conditional, contingent or endorser's liability.

e. Obligations, the proceeds of which are *not* used by the reporting institution for purposes of making loans or investments, maintaining liquid assets (such as cash or "due from" depository institutions), or other similar purposes. An obligation issued for the purpose of raising funds to be used by the reporting institution to purchase business premises, equipment, supplies, or similar assets is not a deposit.

f. Accounts payable, representing obligations of the reporting institution for goods or services purchased.

g. Hypothecated deposits created by payments on an installment loan where (1) the amounts received are not used immediately to reduce the unpaid balance due on the loan until the sum of the payments equals the entire amount of the loan principal and interest; and (2) where such amounts are irrevocably assigned to the reporting institution and cannot be reached by the borrower or creditors of the borrower. Please note that for purposes of this report, deposits serving simply as collateral for loans do *not* constitute hypothecated deposits.

h. A dividend declared by the reporting institution for the intervening period between the date of the declaration of the dividend and the date on which it is paid.

E.3. Primary obligations to be reported as deposits in Sections A through D, and Section F of the Report of Transaction Accounts, Other Deposits and Vault Cash consist of:

a. Promissory notes (including commercial paper), acknowledgments of advance, and other similar obligations (written or oral) that are issued by the reporting institution to nonexempt entities as a means of obtaining funds, except where such obligations are issued for the purpose of raising funds to be used by the reporting institution to purchase business premises, equipment, supplies, or similar assets.

(NOTE: Purchases of "Federal Funds", either overnight or for a specified term, from nonexempt entities are primary obligations. Borrowings from exempt entities (including federal funds) are excluded form this report.)

b. Repurchase agreements entered into with nonexempt entities on any asset *other than* an obligation of, or an obligation *fully guaranteed* as to principal and interest by, the U.S. Government or a Federal agency and *other than* the shares of a money market mutual fund whose portfolio consists wholly of obligations of, or obligations fully guaranteed as to principal and interest by, the U.S. Government or a Federal agency.

c. Liabilities arising from the issuance of due bills or similar instruments that are issued by the reporting institution to any customer (including another depository institution), regardless of the use of the proceeds, or a debit to an account of the customer before the securities are delivered, *unless* collateralized within three business days from date of issuance by a security similar to the security purchased by the reporting institution's customer. A security is similar if it is of the same type and if it is of comparable maturity to that purchased by the customer. In the absence of such collateral, due bills become reservable deposits beginning on the fourth business day after the date of issuance, without regard to the purpose of the due bill or to whom issued.

d. Funds raised through the issuance and sale of mortgage securities (backed by a pool of conventional, non-federally insured mortgages) to nonexempt entities *if* the originating reporting institution is obligated to incur more than the *first ten percent* of any loss associated with that pool of mortgages.

This treatment, however, does not apply to normal mortgage loan participation transactions where the buyer and seller of a participation in a mortgage loan or pool of mortgages share all risk of loss on a *pro rata* basis. In such instances, any funds raised through the sale of such participations are not subject to reserve requirements.

e. Mortgage-backed bonds that are liabilities of the reporting institution and that are issued and sold by the reporting institution to nonexempt entities.

f. Proceeds from outstanding sales to nonexempt entities of short-term loans made under long-term lending commitments.

g. Liabilities for outstanding bank notes or other debt instruments subordinated to the claims of depositors that are not insured by a federal agency and have maturities or a weighted average maturity of less than five years. These liabilities do not meet the criteria for regulatory capital and therefore are defined as deposits for purposes of reserve requirements.

E.4. Primary obligations to be reported in Schedules AA and BB of the Report of Transaction Accounts, Other Deposits and Vault Cash consist of:

a. Any liability of the reporting institution's nondepository affiliate on any promissory note (including commercial paper), acknowledgment of advance, due bill, or similar obligation (written or oral), regardless of maturity, to the extent that the proceeds are used to supply or maintain the availability of funds (other than capital) to the reporting institution *if* the affiliate's liability would have been regarded as *reservable* if issued by the reporting institution, *and if* the proceeds from the affiliate's liability are channeled to the reporting institution in the form of a nonreservable transaction (e.g., a sale of the reporting institution's assets to its affiliate).

NOTE: If the proceeds from the affiliate's liability (whether regarded as reservable or nonreservable if issued by the reporting institution) are channeled to the reporting institution in the form of a transaction account, savings deposit, or time deposit, such funds are reported by the reporting institution as a transaction account, savings deposit, or time deposit, respectively (see Subsection E.1, paragraph h above). If the affiliate's liability would have been regarded as *nonreservable* if issued by the reporting institution, *and* if the proceeds from the affiliate's liability are channeled to the reporting institution in the form of a *nonreservable* transaction, such funds are excluded from the Report of Transaction Accounts, Other Deposits and Vault Cash.

b. Liabilities arising from bankers acceptances that are created by the reporting institution and that are ineligible for discount at Federal Reserve Banks (acceptances that do not meet the criteria of Paragraph 7 of Section 13 of the Federal Reserve Act (12 U.S.C. Section 372)), except those sold to and held by exempt entities. These liabilities include finance bills and "working capital acceptances."

E.5. Primary obligations included in the calculation of net Eurocurrency liabilities (Schedule CC) consist of borrowings from non-U.S. offices of other depository institutions and from certain designated non-U.S. entities. Refer to Schedule CC for greater detail.

E.6. Except for due bills that are not collateralized within three business days by a similar security, primary obligations issued to exempt entities are not subject to reserve requirements. Such obligations are excluded from the Report of Transaction Accounts, Other Deposits and Vault Cash.

NOTE: Regulations may require certain balances that are not classified as deposits on other reports to be treated as deposits subject to reserve requirements and therefore included in this report. For example, certain debt obligations issued to nonexempt entities are defined as deposits for purposes of Regulation D and this report but are reported as borrowings on the quarterly condition reports. Consequently, the deposit balances on this report may differ from amounts in corresponding lines reported on your institution's quarterly report of condition and on certain other reports submitted to the Federal Reserve, the Federal Deposit Insurance Corporation (FDIC), the Office of Thrift Supervision, or state regulators.

In general, funds received by an institution that are immediately applied to reduce or extinguish a customer's indebtedness to that institution do not constitute deposits since no liability is incurred. However, where a depository institution receives funds representing loan repayments in the course of servicing loans for others, such funds represent deposits. Certain dealer reserve or dealer differential accounts, such as those that arise when financing a merchant's installment accounts receivable, and which provide that the dealer may not have access to the funds in the account until the installment loans are repaid, are exempt from reserve requirements until the reporting institution becomes obligated to the merchant for the full amount or any portion of the funds. Similarly, funds that have been irrevocably assigned to the reporting institution and cannot be reached by its customer or by the customer's creditors are not subject to reserve requirements. Finally, certain other liabilities that do not result in a receipt of funds, such as accrued liabilities and accounts payable, are not regarded as reservable liabilities.

F. Treatment of Pass-Through Balances.

A depository institution may satisfy reserve requirements by holding vault cash or by holding a reserve balance at a Federal Reserve Bank. Institutions that are members of the Federal Reserve System must maintain required reserve balances directly with the Federal Reserve. However, the Monetary Control Act of 1980 authorizes a depository institution that is *not* a member of the Federal Reserve System ("respondent") to hold its required reserve balance at the Federal Reserve in one of two ways. The respondent may deposit its required reserve balance directly with the Federal Reserve Bank or Branch which serves the territory in which it is located. Alternatively, in accordance with procedures adopted by the Federal Reserve Board, the respondent may elect to pass its required reserve balance through a "correspondent." The correspondent may be a Federal Home Loan Bank, the National Credit Union Administration Central Liquidity Facility, a depository institution that holds a required reserve balance *directly* at a Federal Reserve Bank or Branch, or an institution that has been authorized by the Federal Reserve Board to pass through required reserve balances. The correspondent shall pass through these required reserve balances to the Federal Reserve Bank or Branch in the territory in which the main office of the nonmember respondent institution is located.

Correspondent institutions shall *exclude* from this report all balances received from institutions that have a pass-through agreement with the correspondent (respondent institutions) and subsequently passed through by the correspondent to the appropriate Federal Reserve Bank or Branch that are used to satisfy reserve requirements. The correspondent institution shall *include* on this report all balances received from respondent institutions that have not been passed through to the appropriate Federal Reserve Bank or Branch.

Respondent institutions should *exclude* from this report all balances that the correspondent passes through to the Federal Reserve Bank or Branch on behalf of the respondent that are used to satisfy reserve requirements. Respondent institutions should *include* on this report all balances the correspondent has not passed through to the Federal Reserve Bank or Branch.

G. Treatment of Trust Funds.

Trust funds that a reporting institution receives or holds but keeps segregated from its general assets and that are not available for general investment or lending purposes *do not* constitute deposits and *should not* be reported in any item on this report. However, trust funds should be reported as deposits of the reporting institution when:

G.1. deposited by the trust department of the reporting institution in the commercial or other department of the reporting institution;

G.2. deposited by the trust department of another depository institution in the commercial or other department of the reporting institution; or

G.3. mingled with the general assets of the reporting institution, regardless of where held.

Commingled balances of individual trusts held in a single transaction account may not be netted. A negative balance in an individual trust account must be reflected as a zero balance and should not be netted against positive balances in other trusts in computing the amount in the commingled transaction account each day. The prohibition does not apply, however, if (1) the applicable trust law specifically permits the netting, or if a written trust agreement, valid under applicable trust law, permits a trust to lend money to another trust account, or (2) the amount that caused the overdraft is still available in a settlement, suspense, or other trust account within the trust department and may be used to offset the overdraft.

NOTE: Items such as bonds, stocks, jewelry, coin collections, etc. that are left with the reporting institution for safekeeping, sometimes referred to as "special deposits," *should not* be included as deposits on this report.

H. Treatment of Escrow Funds.

Escrow funds (impound accounts) consist of funds deposited with a depository institution under an agreement that requires the depository institution to pay all or some portion of the funds to a third party at a certain time or upon fulfillment of certain conditions. The obligation of the reporting depository institution on the funds maintained may constitute a deposit liability against which reserves must be held. If escrow funds are held in the reporting institution's own trust department as part of the trust department's fiduciary activities, they are to be treated as trust funds and, for reporting purposes, are subject to the provisions noted above under "Treatment of Trust Funds."

Escrow funds may be set up as a demand deposit, a savings deposit, or a time deposit (see Glossary of Terms for the definition of these kinds of deposits.)

The classification of escrow funds as time deposits or savings deposits does not depend on whether or not interest is paid on the funds. Escrow agreements entered into by depository institutions in states where the payment of interest on such accounts is required by law must comply with the notice or maturity provisions applicable to time deposits and savings deposits.

If the agreement between the depositor and the reporting institution does not specify the type of account in which escrow funds must be held, then the reporting institution, acting as agent for itself, may place those funds in the type of account the institution deems appropriate.

I. Treatment of Payment Errors

Demand deposits that are incurred because of payment errors must be reported in the appropriate category on the FR 2900.[1] The holder of the funds must report them on the FR 2900, even if the depository institution that has the funds did not intend to receive these funds or intended to send these funds, but could or did not. Payment errors typically arise from the following transactions:

I.1. Duplicate Payment:

A *duplicate payment* occurs when the sending institution transfers funds more than once. Part of this payment will eventually be returned. However, the funds represent a demand deposit for the receiving bank and the amount must be reported as a demand deposit until the funds are disbursed. The sending institution does not have either a due from bank deduction or a cash item in the process of collection.

I.2. Misdirected Payment:

A misdirected payment occurs when the sending institution transfers funds to the wrong bank. The funds will be eventually returned to the sending bank or disbursed to the correct bank. However,

1. These reporting instructions are unaffected by "as-of" adjustments, which may be applied to a reporting institution's reserve account.

the institution that received the funds in error must report these funds as a demand deposit until the funds are disbursed.

The *sending* institution does not have either a due from bank deduction or a cash item in the process of collection. The institution that did not receive the expected funds, regardless of whether or not the institution credited the customer's account in anticipation of receiving payment, does not have either a due from bank deduction or a cash item in the process of collection.

I.3. Failed Payment:

A *failed payment* occurs when an institution fails to make a payment requested by a customer because of payment system failures (e.g. computer problems) or a clerical error. The funds retained because the transfer was not executed must be reported as a demand deposit until the funds are disbursed.

The institution that did not receive the expected funds, regardless of whether or not the institution credited the customer's account in anticipation of receiving payment, does *not* have either a due from bank deduction or a cash item in the process of collection.

I.4. Improper Third Party Transfers:

An improper third-party transfer occurs when a third party transfer is sent over Fedwire during the settlement period (e.g., after 6:00 p.m. EST). If the transfer is not reversed by the close of Fedwire, the receiving bank must report these funds as a demand deposit. The sending bank does not report these funds as either a due from bank or a cash item in the process of collection.

J. Treatment of Sweep Arrangements

Sweep arrangements allow funds to be automatically transferred between different types of deposit accounts or between deposit accounts and other interest-bearing instruments. The FR 2900 and FR 2950 should reflect amounts outstanding as of the close of business each day as reflected on the general ledger for each item. Therefore, any swept amounts should be reported based on the account in which they reside at the close of each day.

Note that transfers from nontransaction accounts to transaction accounts associated with sweep arrangements are considered third-party transfers and must comply with the rules specified in Regulation D 204.2(d)(2) (See Section C.1).

SECTION 2: ITEM-BY-ITEM INSTRUCTIONS

Transaction Accounts (Items A.1 through A.3)

Items A.1 through A.3 of the report collect data on transaction accounts by component. Provided below is a general description of transaction accounts, followed by a summary of transaction account classifications. These descriptions are followed by detailed instructions for each item to be reported under transaction accounts.

General Description of transaction accounts

With exceptions noted below, report in Items A.1 through A.3, as appropriate, deposits or accounts from which the depositor or account holder is permitted to make transfers or withdrawals by negotiable or transferable instruments, payment orders of withdrawal, telephone transfers, or other similar devices for the purpose of making payments or transfers to third persons or others or from which the depositor may make third party payments at an automated teller machine (ATM) or a remote service unit (RSU), or other electronic device, including by debit card.

With exceptions noted below, *include* the following as transaction accounts (please note that the exceptions include savings deposits):

1. Demand deposits.

2. Deposits or accounts (other than savings deposits) on which the depository institution has reserved the right to require at least seven days' written notice prior to withdrawal or transfer of any funds in the account *and* that are subject to check, draft, negotiable order of withdrawal, share draft, or other similar item, including the accounts authorized by 12 U.S.C. §1832(a) (NOW accounts), *provided that* the account consists of funds in which the entire beneficial interest is held by a party eligible to have such an account as prescribed by 12 U.S.C. §1832(a)(2). (See the entry in the Glossary for NOW accounts for a list of eligible holders.)

3. Deposits or accounts, such as accounts authorized by 12 U.S.C. §371a (automatic transfer service accounts or ATS accounts), on which the depository institution has reserved the right to require at least seven days' written notice prior to withdrawal or transfer of any funds in the account *and* from which withdrawals may be made automatically through payment to the depository institution itself or through transfer of credit to a demand deposit or other account in order to cover checks or drafts drawn upon the institution or to maintain a specified balance in, or to make periodic transfers to, such other accounts, *provided that* the account consists of funds in which the entire beneficial interest is held by one or more individuals as prescribed by 12 U.S.C. §371a.

4. Deposits or accounts (other than savings deposits) (a) in which the entire beneficial interest is held by a party eligible to hold a NOW account, *and* (b) on which the depository institution has reserved the right to require at least seven days' written notice prior to withdrawal or transfer of any funds in the account *and* (c) under the terms of which, or which by practice of the reporting institution, the depositor is permitted or authorized to make *more than six* withdrawals per month or statement cycle (or similar period) of at least four weeks for purposes of transferring funds to another account of the depositor at the same institution (including a transaction account) or for making payment to a third party by means of preauthorized transfer, or telephonic (including data transmission) agreement, order or instruction. An account that permits or authorizes more than six such withdrawals in a calendar month, or statement cycle (or similar