

# **FEDERAL RESERVE SYSTEM**

## **12 CFR Part 204**

**Docket No. R-1702; RIN 7100-AF 76**

### **Regulation D: Reserve Requirements of Depository Institutions**

**AGENCY:** Board of Governors of the Federal Reserve System.

**ACTION:** Final rule.

---

**SUMMARY:** The Board of Governors of the Federal Reserve System (“Board”) is adopting as a final rule, without change, its March 24, 2020 at 85 FR 16525, interim final rule amending its Regulation D (Reserve Requirements of Depository Institutions, 12 CFR Part 204) to lower reserve requirement ratios on transaction accounts maintained at depository institutions to zero percent.

**DATES:** *Effective date:* The final rule is effective [INSERT DATE OF PUBLICATION IN FEDERAL REGISTER].

**FOR FURTHER INFORMATION CONTACT:** Sophia H. Allison, Senior Special Counsel, (202-452-3565), Legal Division, or Matthew Malloy (202-452-2416), Division of Monetary Affairs, or Heather Wiggins (202-452-3674), Division of Monetary Affairs; for users of Telecommunications Device for the Deaf (TDD) only, contact 202-263-4869; Board of Governors of the Federal Reserve System, 20th and C Streets, NW, Washington, DC 20551.

#### **SUPPLEMENTARY INFORMATION:**

##### **I. Statutory and Regulatory Background; Discussion**

Section 19 of the Federal Reserve Act (the “Act”) imposes reserve requirements on certain types of deposits and other liabilities of depository institutions. Specifically, section 19(b)(2) of the Act (12 U.S.C. 461(b)(2)) requires each depository institution to maintain reserves against its transaction accounts, nonpersonal time deposits, and Eurocurrency liabilities, as prescribed by Board regulations, for the purpose of implementing monetary policy. The Board’s Regulation D (Reserve Requirements of Depository Institutions, 12 CFR Part 204) implements the reserve requirements provisions of section 19 of the Act.

On March 15, 2020, the Board announced an interim final rule amending Regulation D to lower all transaction account reserve requirement ratios to zero percent, thereby eliminating all reserve requirements.<sup>1</sup> The Board’s interim final rule was published on March 24, 2020.<sup>2</sup> In its March 15 press release announcing this action, the Board stated:

For many years, reserve requirements played a central role in the implementation of monetary policy by creating a stable demand for reserves. In January 2019, the FOMC announced its intention to implement monetary policy in an ample reserves regime. Reserve requirements do not play a significant role in this operating framework.

In light of the shift to an ample reserves regime, the Board has reduced reserve requirement ratios to zero percent effective on

---

<sup>1</sup> Reserve requirements for nonpersonal time deposits and Eurocurrency liabilities have been set at zero percent since 1990. *See* 55 Fed. Reg. 50540 (Dec. 7, 1990).

<sup>2</sup> Interim Final Rule, 85 Fed. Reg. 16525 (Mar. 24, 2020).

March 26, the beginning of the next reserve maintenance period. This action eliminates reserve requirements for thousands of depository institutions and will help to support lending to households and businesses.<sup>3</sup>

The Board requested public comment on the interim final rule. The public comment period closed on May 26, 2020. The Board received no comments on the interim final rule and, accordingly, is adopting the interim final rule as a final rule without change.

## **II. Regulatory Analysis**

### *A. Administrative Procedure Act and Effective Date*

The Administrative Procedure Act (APA) generally requires that a final rule be published in the *Federal Register* no less than 30 days before its effective date.<sup>4</sup>

Therefore, the final rule will become effective on [INSERT DATE 30 DAYS AFTER PUBLICATION IN THE FEDERAL REGISTER]. The interim final rule will remain in effect until the final rule becomes effective.

### *B. Regulatory Flexibility Act*

The Regulatory Flexibility Act (RFA) does not apply to a rulemaking when a general notice of proposed rulemaking is not required.<sup>5</sup> Because the Board previously determined that it was unnecessary to publish a general notice of proposed rulemaking

---

<sup>3</sup> Press Release, “Federal Reserve Actions to Support the Flow of Credit to Households and Businesses” (Mar. 15, 2020), <https://www.federalreserve.gov/newsevents/pressreleases/monetary20200315b.htm>.

<sup>4</sup> 5 U.S.C. 553(d).

<sup>5</sup> 5 U.S.C. 603, 604.

for the interim final rule, the RFA's requirements relating to an initial and final regulatory flexibility analysis do not apply to this final rule.

C. *Paperwork Reduction Act of 1995*

The Paperwork Reduction Act of 1995<sup>6</sup> (PRA) states that no agency may conduct or sponsor, nor is a respondent required to respond to, an information collection unless it displays a currently valid Office of Management and Budget (OMB) control number. The final rule contains no collections of information subject to the PRA.

D. *Use of Plain Language*

Section 722 of the Gramm-Leach Bliley Act<sup>7</sup> requires banking agencies to use plain language in all proposed and final rules published after January 1, 2000. The Board received no comments with respect to making the interim final rule easier to understand and is adopting the final rule without change.

**Authority and Issuance**

For the reasons set forth in the preamble, the interim final rule amending 12 CFR part 204 of chapter II, title 12 of the Code of Federal Regulations, which was published at 85 FR 16525 on March 24, 2020, is adopted as a final rule without change.

By order of the Board of Governors of the Federal Reserve System.

Margie McCloskey Shanks (signed)

**Margaret McCloskey Shanks,**  
*Deputy Secretary of the Board.*

---

<sup>6</sup> 44 U.S.C. 3506; see 5 CFR part 1320 Appendix A.1.

<sup>7</sup> Pub. L. 106-102, section 722, 113 Stat. 1338, 1471 (1999).