

# Rules and Regulations

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## FEDERAL RESERVE SYSTEM

### 12 CFR Part 204

[Regulation D; Docket No. R-1236]

#### Reserve Requirements of Depository Institutions

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

**ACTION:** Final rule.

**SUMMARY:** The Board is amending Regulation D, Reserve Requirements of Depository Institutions, to reflect the annual indexing of the low reserve tranche and of the reserve requirement exemption amount for 2006. The Regulation D amendments increase the amount of net transaction accounts at each depository institution that is subject to a three percent reserve requirement in 2006 from \$47.6 million to \$48.3 million. This amount is known as the low reserve tranche. The Regulation D amendments also increase the amount of total reservable liabilities of each depository institution that is subject to a zero percent reserve requirement in 2006 from \$7.0 million to \$7.8 million. This amount is known as the reserve requirement exemption amount. The adjustments to both of these amounts are derived using statutory formulas specified in the Federal Reserve Act.

The Board is also announcing increases in two other amounts, the nonexempt deposit cutoff level and the reduced reporting limit, that are used to determine the frequency with which depository institutions must submit deposit reports. These amounts are indexed annually in order to reduce reporting burden for smaller depository institutions.

**DATES:** *Effective date:* November 7, 2005.

*Compliance dates:* For depository institutions that report weekly, the adjusted low reserve tranche and

reserve requirement exemption amount will apply to the fourteen-day reserve computation period that begins Tuesday, November 22, 2005, and the corresponding fourteen-day reserve maintenance period that begins Thursday, December 22, 2005. For depository institutions that report quarterly, the adjusted low reserve tranche and reserve requirement exemption amount will apply to the seven-day reserve computation period that begins Tuesday, December 20, 2005, and the corresponding seven-day reserve maintenance period that begins Thursday, January 19, 2006. For all depository institutions, the nonexempt deposit cutoff level, the reserve requirement exemption amount, and the reduced reporting limit will be used for 2006 deposit report screening to determine reporting frequency for the twelve-month period that begins in September 2006.

**FOR FURTHER INFORMATION CONTACT:** Heatherun Allison, Senior Counsel (202/452-3565), Legal Division, or Gretchen Weinbach, Senior Economist (202/452-2841), Division of Monetary Affairs; for user 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:** Section 19(b)(2) of the Federal Reserve Act (12 U.S.C. 461(b)(2)) requires each depository institution to maintain reserves against its transaction accounts and nonpersonal time deposits, as prescribed by Board regulations, for the purpose of implementing monetary policy. Section 11(a)(2) of the Federal Reserve Act (12 U.S.C. 248(a)(2)) authorizes the Board to require reports of liabilities and assets from depository institutions to enable the Board to conduct monetary policy. The Board's actions with respect to each of these provisions are discussed in turn below.

1. *Reserve Requirements.* Pursuant to section 19(b)(2) of the Federal Reserve Act, transaction account balances maintained at each depository institution up to a certain amount, known as the low reserve tranche, are subject to a three percent reserve requirement. Transaction account balances over the low reserve tranche are subject to a ten percent reserve requirement. Section 19(b)(2) also provides that, before December 31 of

each year, the Board shall issue a regulation adjusting the low reserve tranche for the next calendar year. The Act requires the adjustment in the low reserve tranche to be 80 percent of the percentage increase or decrease in total transaction accounts of all depository institutions over the one-year period that ends on the June 30 prior to the adjustment.

Currently, the low reserve tranche is \$47.6 million. Net transaction accounts of all depository institutions rose 1.8 percent (from \$700.4 billion to \$713.1 billion) between June 30, 2004 and June 30, 2005. Accordingly, the Board is amending Regulation D (12 CFR part 204) to increase the low reserve tranche for net transaction accounts by \$0.7 million, from \$47.6 million for 2005 to \$48.3 million for 2006.

Section 19(b)(11)(A) of the Federal Reserve Act (12 U.S.C. 461(b)(11)(A)) provides that a zero percent reserve requirement shall apply at each depository institution to total reservable liabilities that do not exceed a certain amount, known as the reserve requirement exemption amount.

Section 19(b)(11)(B) provides that, before December 31 of each year, the Board shall issue a regulation adjusting the reserve requirement exemption amount for the next calendar year if total reservable liabilities held at all depository institutions increase from one year to the next. Unlike the low reserve tranche, which can be adjusted upward or downward, no adjustment is made to the reserve requirement exemption amount if total reservable liabilities held at all depository institutions should decrease during the applicable time period. The Act requires the percentage increase in the reserve requirement exemption amount to be 80 percent of the increase in total reservable liabilities of all depository institutions over the one-year period that ends on the June 30 prior to the adjustment.

Total reservable liabilities of all depository institutions increased by 13.7 percent (from \$2,946.2 billion to \$3,350.0 billion) between June 30, 2004, and June 30, 2005. Accordingly, the Board is amending Regulation D to increase the reserve requirement exemption amount by \$0.8 million, from

\$7.0 million for 2005 to \$7.8 million for 2006.<sup>1</sup>

For depository institutions that report weekly, the adjusted low reserve tranche and reserve requirement exemption amount will be effective for the fourteen-day reserve computation period beginning Tuesday, November 22, 2005, and for the corresponding fourteen-day reserve maintenance period beginning Thursday, December 22, 2005. For depository institutions that report quarterly, the adjusted low reserve tranche and reserve requirement exemption amount will be effective for the seven-day reserve computation period beginning Tuesday, December 20, 2005, and for the corresponding seven-day reserve maintenance period beginning Thursday, January 19, 2006.

2. *Deposit Reports.* Section 11(b)(2) of the Federal Reserve Act authorizes the Board to require depository institutions to file reports of their liabilities and assets as the Board may determine to be necessary or desirable to enable it to discharge its responsibility to monitor and control the monetary and credit aggregates. The Board screens depository institutions each year and assigns them to one of four deposit reporting panels (weekly reporters, quarterly reporters, annual reporters, or nonreporters). An institution's panel assignment is effective with the annual deposit panel shifts in September of the screening year.

In order to ease the reporting burden, the Board permits institutions with net transaction account above the reserve requirement exemption amount but with total deposits below a specified level (the "nonexempt deposit cutoff") to report quarterly. The Board requires certain large depository institutions to report weekly regardless of the level of their net transaction accounts if their total deposits exceed a specified level (the "reduced reporting limit"). The annual adjustment to the first amount, the reserve requirement exemption amount, is described in Section 1 above. The nonexempt deposit cutoff level and the reduced reporting limit are also

adjusted annually, by an amount equal to 80 percent of the increase, if any, in total deposits of all depository institutions over the one-year period that ends on the June 30 prior to the adjustment.

Total deposits at all depository institutions increased 8.3 percent (from \$6,962.1 billion to \$7,540.4 billion) between June 30, 2004 and June 30, 2005. Accordingly, the Board is adjusting the nonexempt deposit cutoff level upward by \$11.3 million, from its current level of \$169.8 million for 2005 to \$181.1 million for 2006. The Board is also adjusting the reduced reporting limit upward by \$75 million, from its current level of \$1.131 billion for 2005 to \$1.206 billion for 2006.<sup>2</sup>

Beginning in September 2006, the boundaries of the four deposit reporting panels will be defined as follows. Those depository institutions with net transaction accounts over \$7.8 million (the reserve requirement exemption amount) or total deposits greater than or equal to \$1.206 billion (the reduced reporting limit) are subject to detailed reporting, and must file an FR 2900 report either weekly or quarterly. Of this group, those with total deposits greater than or equal to \$181.1 million (the nonexempt deposit cutoff level) are required to file the FR 2900 report each week, while those with total deposits less than \$181.1 million are required to file the FR 2900 report each quarter. Those depository institutions with net transaction accounts less than or equal to \$7.8 million (the reserve requirement exemption amount) and with total deposits less than \$1.206 billion (the reduced reporting limit) are eligible for reduced reporting, and must either file a deposit report annually or not at all. Of this group, those with total deposits greater than \$7.8 million (but less than \$1.206 billion) are required to file the FR 2910a report annually, while those with total deposits less than or equal to \$7.8 million are not required to file a deposit report. A depository institution that manipulates its reporting, however, in an attempt to qualify for less frequent

reporting or to reduce its reserve requirement may be required to report the FR 2900 on a weekly basis and maintain appropriate reserve balances with its Reserve Bank, regardless of its most recent panel assignment.

*Notice and Regulatory Flexibility Act.* The provisions of 5 U.S.C. 553(b) relating to notice of proposed rulemaking have not been followed in connection with the adoption of these amendments. The amendments involve expected, ministerial adjustments prescribed by statute and by the Board's policy concerning reporting practices. The increases in the reserve requirement exemption amount, the low reserve tranche, the nonexempt deposit cutoff level, and the reduced reporting limit serve to reduce regulatory burdens on depository institutions. Accordingly, the Board finds good cause for determining, and so determines, that notice in accordance with 5 U.S.C. 553(b) is unnecessary. Consequently, the provisions of the Regulatory Flexibility Act, 5 U.S.C. 601, do not apply to these amendments.

#### List of Subjects in 12 CFR Part 204

Banks, Banking, Reporting and recordkeeping requirements.

■ For the reasons set forth in the preamble, the Board is amending 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), 371a, 461, 601, 611, and 3105.

■ 2. Section 204.9 is revised to read as follows:

#### § 204.9 Reserve requirement ratios.

The following reserve requirement ratios are prescribed for all depository institutions, banking Edge and agreement corporations, and United States branches and agencies of foreign banks:

| Category                                          | Reserve requirement                                        |
|---------------------------------------------------|------------------------------------------------------------|
| Net transaction accounts:                         |                                                            |
| \$0 to \$7.8 million .....                        | 0 percent of amount.                                       |
| Over \$7.8 million and up to \$48.3 million ..... | 3 percent of amount.                                       |
| Over \$48.3 million .....                         | \$1,215,000 plus 10 percent of amount over \$48.3 million. |
| Nonpersonal time deposits .....                   | 0 percent.                                                 |
| Eurocurrency liabilities .....                    | 0 percent.                                                 |

<sup>1</sup> Consistent with Board practice, the low reserve tranche and reserve requirement exemption amounts have been rounded to the nearest \$0.1 million.

<sup>2</sup> Consistent with Board practice, the nonexempt deposit cutoff level has been rounded to the nearest \$0.1 million, while the reduced reporting limit has been rounded to the nearest \$1 million.

By order of the Board of Governors of the Federal Reserve System, October 4, 2005.

**Jennifer J. Johnson,**

*Secretary of the Board.*

[FR Doc. 05-20299 Filed 10-6-05; 8:45 am]

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## DEPARTMENT OF TRANSPORTATION

### Federal Aviation Administration

#### 14 CFR Part 25

[Docket No. NM330; Special Conditions No. 25-301-SC]

#### Special Conditions: Raytheon Model HS.125 Airplanes; High-Intensity Radiated Fields (HIRF)

**AGENCY:** Federal Aviation Administration (FAA), DOT.

**ACTION:** Final special conditions; request for comments.

**SUMMARY:** These special conditions are issued for a Raytheon Model HS.125 airplane modified by LJSC Ltd. This modified airplane will have a novel or unusual design feature when compared to the state of technology envisioned in the airworthiness standards for transport category airplanes. The modification incorporates the installation of two Air Data Display Units and two Air Data Sensors manufactured by Innovative Solutions and Support. These systems perform critical functions. The applicable airworthiness regulations do not contain adequate or appropriate safety standards for the protection of these systems from the effects of high-intensity radiated fields (HIRF). These special conditions contain the additional safety standards that the Administrator considers necessary to establish a level of safety equivalent to that established by the existing airworthiness standards.

**DATES:** The effective date of these special conditions is September 29, 2005.

Comments must be received on or before November 7, 2005.

**ADDRESSES:** Comments on these special conditions may be mailed in duplicate to: Federal Aviation Administration, Transport Airplane Directorate, Attention: Rules Docket (ANM-113), Docket No. NM330, 1601 Lind Avenue SW., Renton, Washington 98055-4056; or delivered in duplicate to the Transport Airplane Directorate at the above address. All comments must be marked: Docket No. NM330.

**FOR FURTHER INFORMATION CONTACT:** Greg Dunn, FAA, Airplane and Flight Crew Interface Branch, ANM-111, Transport

Airplane Directorate, Aircraft Certification Service, 1601 Lind Avenue SW., Renton, Washington 98055-4056; telephone (425) 227-2799; facsimile (425) 227-1320.

#### SUPPLEMENTARY INFORMATION:

##### Comments Invited

The FAA has determined that notice and opportunity for prior public comment is impracticable because these procedures would significantly delay certification of the airplane and thus delivery of the affected aircraft. In addition, the substance of these special conditions has been subject to the public comment process in several prior instances with no substantive comments received. The FAA therefore finds that good cause exists for making these special conditions effective upon issuance; however, the FAA invites interested persons to participate in this rulemaking by submitting written comments, data, or views. The most helpful comments reference a specific portion of the special conditions, explain the reason for any recommended change, and include supporting data. We ask that you send us two copies of written comments.

We will file in the docket all comments we receive, as well as a report summarizing each substantive public contact with FAA personnel concerning these special conditions. The docket is available for public inspection before and after the comment closing date. If you wish to review the docket in person, go to the address in the **ADDRESSES** section of this preamble between 7:30 a.m. and 4 p.m., Monday through Friday, except Federal holidays.

We will consider all comments we receive on or before the closing date for comments. We will consider comments filed late if it is possible to do so without incurring expense or delay. We may change these special conditions based on the comments we receive.

If you want the FAA to acknowledge receipt of your comments on these special conditions, include with your comments a pre-addressed, stamped postcard on which the docket number appears. We will stamp the date on the postcard and mail it back to you.

##### Background

On July 11, 2005, LJSC Ltd., 8847 West Monroe Circle, Suite 300, Wichita, Kansas 67209 applied for a supplemental type certificate (STC) to modify a Raytheon Model HS.125 Series 600A airplane, S/N 256066. This model is currently approved under Type Certificate No. A3EU. The Raytheon Model HS.125 airplane is a small transport category airplane powered by

two turbine engines. It operates with a 2-pilot crew and can seat up to 15 passengers. The modification incorporates the installation of two Air Data Display Units (ADDUs) and two Air Data Sensors (ADSs) manufactured by Innovative Solutions and Support (IS&S). The avionics/electronics and electrical systems installed in this airplane have the potential to be vulnerable to high-intensity radiated fields (HIRF) external to the airplane.

##### Type Certification Basis

Under the provisions of 14 CFR 21.101, LJSC Ltd. must show that Raytheon Model HS.125 Series 600A airplane S/N 256066, as changed, continues to meet the applicable provisions of the regulations incorporated by reference in Type Certificate No. A3EU, or the applicable regulations in effect on the date of application for the change. The regulations incorporated by reference in the type certificate are commonly referred to as the "original type certification basis." The certification basis for the Raytheon Model HS.125 airplane includes CAR 10, British Civil Airworthiness Requirements and Special Conditions. This certification is equivalent to CAR.4b dated December 1953, Amendment 4b-1 through Amendment 4b-11, exclusive of CAR 4b.350(e) and includes Special Regulations SR.422B. Type Certificate No. A3EU was amended to include HS.125 Series 600A on January 6, 1976. Compliance over and above certification basis requirements has been met with CAR Amendment 4B-12 and Amendment 4B-14. Compliance has been established with the special retroactive requirements of 14 CFR 25.2 through Amendment 25-20, 14 CFR 21 Amendment 21-27, and 14 CFR 36 (1)(c)(2).

If the Administrator finds that the applicable airworthiness regulations (i.e., part 25, as amended) do not contain adequate or appropriate safety standards for the Raytheon Model HS.125 Series 600A airplane, S/N 256066, because of a novel or unusual design feature, special conditions are prescribed under the provisions of § 21.16.

In addition to the applicable airworthiness regulations and special conditions, Raytheon Model HS.125 Series 600A airplane, S/N 256066, must comply with the fuel vent and exhaust emission requirements of 14 CFR part 34 and the noise certification requirements of 14 CFR part 36.

Special conditions, as defined in 14 CFR 11.19, are issued in accordance with § 11.38 and become part of the type