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FEDERAL RESERVE SYSTEM

12 CFR Part 204

[Docket No. R–1513; RIN 7100 AE–31]

Regulation D: Reserve Requirements for 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) regarding the payment of interest on certain balances maintained at Federal Reserve Banks by or on behalf of eligible institutions. Specifically, the amendments permit interest payments on certain balances to be based on a daily rate rather than on a maintenance period average rate. The amendments should help to enhance the role of such rates of interest in moving the Federal funds rate into the target range established by the FOMC, particularly on occasions when changes in those rates do not coincide with the beginning of a maintenance period.

DATE: The final rule is effective July 23, 2015.

FOR FURTHER INFORMATION CONTACT: Sophia H. Allison, Special Counsel (202–452–3565), Legal Division, or Thomas R. Keating, Financial Analyst (202–973–7401), or Jeffrey W. Huther, Senior Economist (202/452–3139), 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

For monetary policy purposes, section 19 of the Federal Reserve Act (''the Act'') imposes reserve requirements on certain types of deposits and other liabilities of depository institutions. Regulation D, which implements section 19 of the Act, requires that a depository institution meet reserve requirements by holding cash in its vault, or if vault cash is insufficient, by maintaining a balance in an account at a Federal Reserve Bank (''Reserve Bank'').[1] Section 19 also provides that balances maintained by or on behalf of certain institutions in an account at a Reserve Bank may receive earnings to be paid by the Reserve Bank at least once each quarter, at a rate or rates not to exceed the general level of short-term interest rates. Institutions that are eligible to receive earnings on their balances held at Reserve Banks (''eligible institutions'') include depository institutions and certain other institutions.[2] Section 19 also provides that the Board may prescribe regulations concerning the payment of earnings on balances at a Reserve Bank.[3]

Regulation D currently requires Reserve Banks to pay interest on balances up to the top of the penalty-free band at a rate of ¼ percent, and on excess balances above that level at a rate of ¼ percent.[4]

For purposes of computing the interest to be paid, an average of relevant balances over a 14-day maintenance period is multiplied by an average of the applicable interest rate in effect for each day of a maintenance period. For example, if the interest rate on excess balances were to increase in the middle of a maintenance period from 25 basis points (¼ percent) to 50 basis points (½ percent), the interest on excess balances for that maintenance period would be the average excess balances maintained over the maintenance period multiplied by the average excess balance rate, *i.e.,* 37.5 basis points. As a result, the full effect of the increase in the excess balance rate to 50 basis points may not show through to market rates until some number of days following the announcement of the new rate.

II. Request for Public Comment and Summary of Comments Received

The Board published its request for public comment on proposed amendments to Regulation D in the **Federal Register** on April 16, 2015.[5] Under the proposal, Regulation D would define an ''IORR[6] rate'' and would calculate interest on balances maintained up to the top of the penalty-free band as the average IORR rate over a maintenance period multiplied by the average balances maintained up to the top of the penalty-free band over the maintenance period. Regulation D would also define an ''IOER[7] rate'' and, for institutions that maintain balances in excess of the top of the penalty-free band on average over the maintenance period, would calculate interest as daily total balances multiplied by the daily

[1] 12 CFR 204.5(a)(1).

[2] Section 19(b)(1)(A) defines ''depository institution'' as any insured bank as defined in section 3 of the Federal Deposit Insurance Act or any bank which is eligible to make application to become an insured bank under section 5 of such Act; any mutual savings bank as defined in section 3 of the Federal Deposit Insurance Act or any bank which is eligible to make application to become an insured bank under section 5 of such Act; any savings bank as defined in section 3 of the Federal Deposit Insurance Act or any bank which is eligible to make application to become an insured bank under section 5 of such Act; any insured credit union as defined in section 101 of the Federal Credit Union Act or any credit union which is eligible to make application to become an insured credit union pursuant to section 201 of such Act; any member as defined in section 2 of the Federal Home Loan Bank Act; [and] any savings association (as defined in section 3 of the Federal Deposit Insurance Act) which is an insured depository institution (as defined in such Act) or is eligible to apply to become an insured depository institution under the Federal Deposit Insurance Act. See 12 U.S.C. 461(b)(1)(A). Eligible institution also includes any trust company, corporation organized under section 25A or having an agreement with the Board under section 25, or any branch or agency of a foreign bank (as defined in section 1(b) of the International Banking Act of 1978). Federal Reserve Act section 19(b)(12)(C), 12 U.S.C. 461(b)(12)(C), *see* 12 CFR 204.2(y) (definition of ''eligible institution'').

[3] See Federal Reserve Act section 19(b)(12), 12 U.S.C. 461(b)(12).

[4] See § 204.10(b)(1)–(2) of Regulation D, 12 CFR 204.10(b)(1)–(2). Regulation D defines ''top of the penalty free band'' to mean an amount equal to an institution's reserve balance requirement plus an amount that is the greater of 10 percent of the institution's reserve balance requirement or $50,000. Section 204.2(gg) of Regulation D, 12 CFR 204.2(gg). Regulation D defines ''excess balances'' to mean the average balance maintained in an account at a Federal Reserve Bank by or on behalf of an institution over a reserve maintenance period that exceeds the top of the penalty free band. Section 204.2(z) of Regulation D, 12 CFR 204.2(z).

[5] 80 FR 20448 (Apr. 16, 2015).

[6] *I.e.,* ''interest on required reserves.'' ''Required reserves'' is a term that historically referred to the amount that an institution must maintain on average over a maintenance period to satisfy its reserve balance requirement. Because Regulation D currently provides for a penalty-free band around an institution's reserve balance requirement, an institution's balances up to the top of the penalty-free band is the current equivalent of what was previously meant by ''required reserves.''

[7] *I.e.,* ''interest on excess reserves.''

IOER rate, reduced by an adjustment to avoid double payment of interest on balances up to the top of the penalty-free band.

The Board stated in the proposal that the purpose of this proposed amendment was to allow the full effect of an increase in the IOER rate to show through to the daily level of short-term market rates when an IOER rate change does not coincide with the beginning of a maintenance period. The Board proposed other amendments to Regulation D to conform certain provisions to current practices as well as to improve organization and make other clarifications.

Summary of Public Comments Received

The Board received four comments on the proposal, three from depository institutions and one from a trade association. One commenter expressed general support for the proposal without additional elaboration. Another commenter expressed support for the proposal because the proposal would improve the Federal Reserve System's responsiveness to economic trends and new market data. A third commenter expressed support for the proposal generally but recommended that depository institutions receive account statements that would provide itemization of the balances and calculations of IORR and IOER under Regulation D as amended. Itemization of interest payments along with information on balances held will be available to depository institutions through the Reserves Central-Reserves Account Administration application.[8]

A fourth commenter did not address the matters raised by the proposal but expressed concerns more generally regarding the role of the payment of interest on excess balances at Reserve Banks and the interaction between those payments, the Federal Reserve Payment System Risk policy for measuring daylight overdrafts, and the Liquidity Coverage Ratio (LCR) treatment of federal funds and financial institution deposits. The commenter also requested that the Federal Reserve clearly articulate the policy use and long-term goals of interest bearing reserves and conduct a policy review in two years. The commenter suggested the current level of interest paid on excess balances encourages banks to remove funds from the federal funds market, thereby reducing volumes and liquidity in inter-bank lending markets. In addition, the commenter argued that the payment of interest on reserves along with the Federal Reserve's access to transaction-level data on borrowing by individual depository institutions in the federal funds and Eurodollar markets provides a competitive advantage to Reserve Banks over private sector correspondent institutions.

The Board believes that the payment of interest on excess balances plays an important role in the implementation of monetary policy by contributing to the Federal Reserve's ability to influence the level of the federal funds rate and other short-term interest rates. As clearly articulated by the Federal Open Market Committee (FOMC) in its Policy Normalization Principles and Plans, the Federal Reserve intends to use the payment of interest on excess balances to move the federal funds rate into the target range established by the FOMC.[9] The purpose of adjusting the rate of interest paid on reserves is not in any way to provide the Federal Reserve with a competitive advantage in the payments system. Moreover, the proposed changes to Regulation D underscore and support the monetary policy role that these rates serve. The Board believes that the proposed change in the methodology for the calculation of interest on balances at Reserve Banks as set forth in the final rule will have no significant impact on the issues noted by the commenter. Furthermore, as has been the case in the past, the role of interest payments on excess balances will continue to be publicly articulated by the Board and FOMC, such as through FOMC statements and minutes, Board and FOMC policy statements, and testimony and speeches by Federal Reserve officials.

III. Section by Section Analysis

Section 204.10(a) General

The Board proposed to amend § 204.10(a) to incorporate certain provisions of current § 204.10(b) and to add a new provision describing the amount of a ''balance'' in an account at a Reserve Bank for purposes of the section. The Board received no comments on this provision and is adopting it as proposed.

Section 204.10(b) Payment of Interest

The Board proposed to amend § 204.10(b)(1) and (2) to set forth the amount of interest to be paid on balances of institutions that, on average over the maintenance period, maintain balances in excess of the top of the penalty-free band. These two subsections provide for interest at the IORR rate, interest at the IOER rate, the adjustment to interest at the IOER rate, and the minimum interest amount. The Board also proposed to amend § 204.10(b)(3) to provide that interest for institutions that, on average over the maintenance period, maintain balances that are equal to or lower than the top of the penalty-free band is the average IORR rate over the maintenance period multiplied by the average balances maintained over the maintenance period. The Board proposed to amend § 204.10(b)(4) to provide for interest on term deposits and proposed to add § 204.10(b)(5) to specify the IORR rate and the IOER rate. The Board did not receive any comments on these specific provisions and is adopting them as proposed.

Section 204.10(c) Pass-Through Balances

The Board proposed to amend § 204.10(c) to change the word ''shall'' to ''may'' in the second sentence to conform the paragraph with the provisions of § 204.10(b). The Board did not receive any comments on this provision and is adopting it as proposed.

Section 204.10(d) Excess Balance Accounts

The Board proposed to amend § 204.10(d)(5) to specify that interest on excess balance accounts is the amount equal to the IOER rate in effect each day multiplied by the total balances maintained on that day for each day of the maintenance period. The Board received no comments on this specific provision and is adopting it as proposed.

Section 204.10(f) Procedure for Determination of Rates

The Board proposed to amend Regulation D to add a new provision, proposed § 204.10(f), to govern the procedure for determination of rates. The Board received no comments on this provision and is adopting it as proposed.

IV. Solicitation of Comments Regarding Use of ''Plain Language''

Section 722 of the Gramm-Leach-Bliley Act of 1999 requires the Board to use ''plain language'' in all final rules. 12 U.S.C. 1408. The Board sought to present the proposed amendments in a simple and straightforward manner. The Board received no comments on whether the proposed rule was clearly stated and effectively organized or on how the Board might make the proposed text easier to understand.

[8] *See https://www.frbservices.org/centralbank/reservescentral/index.html.*

[9] *See http://www.federalreserve.gov/newsevents/press/monetary/20140917c.htm.*

V. Final Regulatory Flexibility Analysis

An initial regulatory flexibility analysis (IRFA) was included in the Board's proposed rule in accordance with the Regulatory Flexibility Act (RFA) (5 U.S.C. 601 *et seq.*). In the IRFA, the Board specifically solicited comment on whether the proposed rule would have a significant economic impact on a substantial number of small entities. The Board received no comments in response to its request for comments on its IRFA.

Section 4 of the RFA requires an agency to provide a final regulatory flexibility analysis with a final rule. Banks and other depository institutions are considered ''small'' if they have less than $550 million in assets. For the reasons stated below, the Board believes that the final rule will not have a significant impact on a substantial number of small entities.

1. *Statement of the objectives of the proposal.* The Board is publishing final amendments to Regulation D in order to facilitate the conduct of monetary policy. Section 19 of the Act was enacted to impose reserve requirements on certain deposits and other liabilities of depository institutions for monetary policy purposes. The Board is publishing final amendments to Regulation D to facilitate the transmission of monetary policy through the rates of interest paid on balances of eligible institutions at Reserve Banks by permitting interest payments on certain balances to be based on a daily rate rather than on a maintenance period average rate. The Board believes that these amendments should help to enhance the role of such rates of interest in moving the federal funds rate into the target range established by the FOMC. The more effective implementation of monetary policy that the rule supports benefits all entities, including small entities. The potential costs for eligible institutions associated with the amendments are low because the amendments do not require any changes to their existing processes and operations. Moreover, the amendments are not likely to harm small eligible institutions or other eligible institutions because they will continue to receive earnings on their balances at Reserve Banks.

2. *Small entities affected by the proposal.* The final rule will affect all eligible institutions that maintain balances to satisfy reserve balance requirements or excess balances at a Reserve Bank. The Board estimates that there are currently approximately 8,725 eligible institutions that maintain such balances. The Board estimates that approximately 6,950 of these institutions could be considered small entities with assets of $550 million or less.

3. *Other federal rules.* The Board has not identified any other federal rules that duplicate, overlap, or conflict with the final rule.

4. *Significant alternatives to the proposed amendments.* The Board believes that the final rule does not impose any burden on depository institutions of any size. The final rule relates to payment of earnings on balances of eligible institutions and does not provide for any new or additional reporting or other obligations.

VI. Paperwork Reduction Act

In accordance with the Paperwork Reduction Act (PRA) of 1995 (44 U.S.C. 3506; 5 CFR part 1320 Appendix A.1), the Board reviewed the final rule under the authority delegated to the Board by the Office of Management and Budget (OMB). The final rule contains no requirements subject to the PRA.

List of Subjects in 12 CFR Part 204

Banks, Banking, Reporting and recordkeeping requirements.

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), 371a, 461, 601, 611, and 3105.

■ 2. Section 204.10 is amended by revising paragraphs (a), (b), (c), and (d)(5), and adding paragraph (f) to read as follows:

§ 204.10 Payment of interest on balances.

(a) *General.* (1) Except as provided in paragraph (c) of this section, interest on balances maintained at Federal Reserve Banks by or on behalf of an eligible institution shall be established by the Board in accordance with this section, at a rate or rates not to exceed the general level of short-term interest rates.

(2) For purposes of this section, the amount of a ''balance'' in an account maintained by or on behalf of an eligible institution at a Federal Reserve Bank is determined at the close of the Federal Reserve Bank's business day.

(3) For purposes of this section, ''short-term interest rates'' are rates on obligations with maturities of no more than one year, such as the primary credit rate and rates on term federal funds, term repurchase agreements, commercial paper, term Eurodollar deposits, and other similar instruments.

(4) The payment of interest on balances under this section shall be subject to such other terms and conditions as the Board may prescribe.

(b) *Payment of interest.* Interest on balances maintained at Federal Reserve Banks by or on behalf of an eligible institution is established as set forth in paragraphs (b)(1) through (4) of this section. The rates for IORR and IOER are set forth in paragraph (b)(5) of this section.

(1) For institutions that maintain balances that are, on average over the maintenance period, in excess of the top of the penalty-free band, interest is:

(i) The amount equal to the average IORR rate over the maintenance period multiplied by the average balance up to the top of the penalty-free band maintained over the maintenance period; plus

(ii)(A) The amount equal to the IOER rate in effect each day multiplied by the total balances maintained on that day for each day of the maintenance period; minus

(B) The amount equal to the average IOER rate over the maintenance period multiplied by the average balance up to the top of the penalty-free band maintained over the maintenance period.

(2) The interest amount under paragraph (b)(1) of this section shall not be less than an amount equal to the amount specified in paragraph (b)(1)(i) of this section.

(3) For institutions that maintain balances that are, on average over the maintenance period, equal to or lower than the top of the penalty-free band, interest is the amount equal to the average IORR rate over the maintenance period multiplied by the average balance maintained over the maintenance period.

(4) For term deposits, interest is:

(i) The amount equal to the principal amount of the term deposit multiplied by a rate specified in advance by the Board, in light of existing short-term market rates, to maintain the federal funds rate at a level consistent with monetary policy objectives; or

(ii) The amount equal to the principal amount of the term deposit multiplied by a rate determined by the auction through which such term deposits are offered.

(5) The rates for IORR and IOER are:

	Rate (percent)	Effective
IORR	¼	12/18/2008
IOER	¼	12/18/2008

(c) *Pass-through balances.* A pass-through correspondent that is an eligible institution may pass back to its respondent interest paid on balances maintained to satisfy a reserve balance requirement of that respondent. In the case of balances maintained by a pass-through correspondent that is not an eligible institution, a Reserve Bank may pay interest only on the balances maintained to satisfy a reserve balance requirement of one or more respondents up to the top of the penalty-free band, and the correspondent shall pass back to its respondents interest paid on balances in the correspondent's account.

(d) * * *

(5) Interest on balances of eligible institutions maintained in an excess balance account is the amount equal to the IOER rate in effect each day multiplied by the total balances maintained on that day for each day of the maintenance period.

* * * * *

(f) *Procedure for determination of rates.* The Board anticipates that notice and public participation with respect to changes in the rate or rates of interest to be paid under this section will generally be impracticable, unnecessary, contrary to the public interest, or otherwise not required in the public interest, and that there will generally be reason and good cause in the public interest why the effective date should not be deferred for 30 days. The reason or reasons in such cases are generally expected to include that such notice, public participation, or deferment of effective date would prevent the action from becoming effective as promptly as necessary in the public interest, would permit speculators or others to reap unfair profits or to interfere with the Board's actions taken with a view to accommodating commerce and business and with regard to their bearing upon the general credit situation of the country, would provoke other consequences contrary to the public interest, would not aid the persons affected, or would otherwise serve no useful purpose.

By order of the Board of Governors of the Federal Reserve System, June 17, 2015.

Robert deV. Frierson,

Secretary of the Board.

[FR Doc. 2015–15238 Filed 6–19–15; 8:45 am]

BILLING CODE 6210–01–P

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 71

[Docket No. FAA–2015–0793; Airspace Docket No. 15–AEA–3]

Amendment of Class D Airspace; Baltimore, Martin State Airport, MD

AGENCY: Federal Aviation Administration (FAA), DOT.

ACTION: Final rule, technical amendment; correction.

SUMMARY: This action corrects an error in the title of a final rule published in the **Federal Register** on April 29, 2015, amending Class D Airspace at Martin State Airport, Baltimore, MD. It should read Amendment of Class D Airspace Baltimore, Martin State Airport, MD. This action also corrects reference to Restricted Area R–4001C as being MSL, and corrects the airport designation.

DATES: Effective 0901 UTC, June 25, 2015. The Director of the Federal Register approves this incorporation by reference action under title 1, Code of Federal Regulations, part 51, subject to the annual revision of FAA Order 7400.9 and publication of conforming amendments.

FOR FURTHER INFORMATION CONTACT: John Fornito, Operations Support Group, Eastern Service Center, Federal Aviation Administration, P.O. Box 20636, Atlanta, Georgia 30320; telephone (404) 305–6364.

SUPPLEMENTARY INFORMATION:

History

On April 29, 2015, the FAA published a final rule, technical amendment in the **Federal Register** amending Class D airspace at Martin State Airport, Baltimore, MD. (80 FR 23709). After publication, the FAA found that the title was incorrectly typed as Proposed Amendment of Class E Airspace, Baltimore, MD, instead of Amendment of Class D Airspace, Baltimore, Martin State Airport, MD. This action makes the correction. Also, in the regulatory text, the airport designation is corrected to AEA D MD Baltimore, Martin State Airport, MD; and references to AGL is corrected to MSL.

The Class D airspace designations are published in Paragraph 5000 of FAA Order 7400.9Y, dated August 9, 2014, and effective September 15, 2014, which is incorporated by reference in 14 CFR 71.1. The Class D airspace designation listed in this document will be published subsequently in the Order.

Correction to Final Rule

Accordingly, pursuant to the authority delegated to me, Docket No. FAA–2015–0793, amending Class D airspace at Martin State Airport, Baltimore, MD, as published in the **Federal Register** on April 29, 2015, (80 FR 23709), FR Doc. 2015–09870, is corrected as follows:

On page 23709, column 1, line 39, remove, ''Proposed Amendment of Class E Airspace; Baltimore, MD'', and add in its place, ''Amendment of Class D Airspace, Baltimore, Martin State Airport, MD'', and on line 51 remove the abbreviation AGL and add in its place MSL. On page 23710, column 1, line 10, remove ''ASO MD D Baltimore, MD [Amended]'', and add in its place ''AEA MD D Baltimore, Martin State Airport, MD [Amended]''; and on line 27, remove the abbreviation AGL, and add in its place, MSL.

Issued in College Park, Georgia, on June 10, 2015.

Gerald E. Lynch,

Acting Manager, Operations Support Group, Eastern Service Center, Air Traffic Organization.

[FR Doc. 2015–15130 Filed 6–19–15; 8:45 am]

BILLING CODE 4910–13–P

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Food and Drug Administration

21 CFR Part 573

[Docket No. FDA–2010–F–0537]

Food Additives Permitted in Feed and Drinking Water of Animals; Gamma-Linolenic Acid Safflower Meal

AGENCY: Food and Drug Administration, HHS.

ACTION: Final rule.

SUMMARY: The Food and Drug Administration (FDA or the Agency) is amending the regulations for food additives permitted in feed and drinking water of animals to provide for the safe use of seed meal from a variety of bioengineered safflower in cattle and poultry feeds. This action is in response to a food additive petition filed by Arcadia Biosciences, Inc.

DATES: This rule is effective June 22, 2015. Submit either written or electronic objections and requests for a hearing by July 22, 2015. See section V of this document for information on the filing of objections.

ADDRESSES: You may submit either electronic or written objections and a request for a hearing, identified by