charged on primary credit and secondary credit would permit insured depository institutions to profit improperly from the difference in the current rate and the announced increased rate. Finally, because delay would undermine the Board’s action in responding to economic data and conditions, the Board has determined that “good cause” exists within the meaning of the APA to dispense with the notice, public comment, and delayed effective date procedures of the APA with respect to the final amendments to Regulation A.

Regulatory Flexibility Analysis

The Regulatory Flexibility Act (“RFA”) does not apply to a rulemaking where a general notice of proposed rulemaking is not required. As noted previously, a general notice of proposed rulemaking is not required if the final rule involves a matter relating to loans. Furthermore, the Board has determined that it is unnecessary and contrary to the public interest to publish a general notice of proposed rulemaking for this final rule. Accordingly, the RFA’s requirements relating to an initial and final regulatory flexibility analysis do not apply.

Paperwork Reduction Act

In accordance with the Paperwork Reduction Act (“PRA”) of 1995, the Board reviewed the final rule under the authority delegated to the Board by the Office of Management and Budget. The final rule contains no requirements subject to the PRA.

List of Subjects in 12 CFR Part 201

Banks, Banking, Federal Reserve System, Reporting and recordkeeping.

Authority and Issuance

For the reasons set forth in the preamble, the Board is amending 12 CFR part 201 to read as follows:

PART 201—EXTENSIONS OF CREDIT BY FEDERAL RESERVE BANKS (REGULATION A)

§ 201.51 Interest rates applicable to credit extended by a Federal Reserve Bank.

(a) Primary credit. The interest rate at each Federal Reserve Bank for primary credit provided to depository institutions under § 201.4(a) is 2.50 percent.

(b) Secondary credit. The interest rate at each Federal Reserve Bank for secondary credit provided to depository institutions under § 201.4(b) is 3.00 percent.

* * * * *


Ann Misbach,
Secretary of the Board.

[F]R Doc. 2018–13270 Filed 6–19–18; 8:45 am

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FEDERAL RESERVE SYSTEM

12 CFR Part 204

[Docket No. R–1610]

RIN 7100–AF08

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 amending Regulation D (Reserve Requirements of Depository Institutions) to revise the rate of interest paid on balances maintained to satisfy reserve balance requirements (“IORR”) and the rate of interest paid on excess balances (“IOER”) maintained at Federal Reserve Banks by or on behalf of eligible institutions. The final amendments specify that IORR is 1.95 percent and IOER is 1.95 percent, a 0.20 percentage point increase from their prior levels. The amendments are intended to enhance the role of such rates of interest in moving the Federal funds rate into the target range established by the Federal Open Market Committee (“FOMC” or “Committee”).

DATES:

Effective date: The amendments to part 204 (Regulation D) are effective June 20, 2018.

Applicability date: The IORR and IOER rate changes were applicable on June 14, 2018.

FOR FURTHER INFORMATION CONTACT:


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”). 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. Section 19 also provides that the Board may prescribe regulations concerning the payment of earnings on balances at a Reserve Bank. Prior to these amendments, Regulation D specified a rate of 1.75 percent for both IORR and IOER.

II. Amendments to IORR and IOER

The Board is amending § 204.10(b)(5) of Regulation D to specify that IORR is 1.95 percent and IOER is 1.95 percent. This 0.20 percentage point increase in the IORR and IOER was associated with an increase in the target range for the federal funds rate, from a target range of 1½ to 1¾ percent to a target range of 1¾ to 2 percent, announced by the FOMC on June 13, 2018, with an effective date of June 14, 2018. The FOMC’s press release on the same day as the announcement noted that:

Information received since the Federal Open Market Committee met in May...
indicates that the labor market has continued to strengthen and that economic activity has been rising at a solid rate. Job gains have been strong, on average, in recent months, and the unemployment rate has declined. Recent data suggest that growth of household spending has picked up, while business fixed investment has continued to grow strongly. On a 12-month basis, both overall inflation and inflation for items other than food and energy have moved close to 2 percent. Indicators of longer-term inflation expectations are little changed, on balance.

Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. The Committee expects that further gradual increases in the target range for the federal funds rate will be consistent with sustained expansion of economic activity, strong labor market conditions, and inflation near the Committee’s symmetric 2 percent objective over the medium term. Risks to the economic outlook appear roughly balanced.

In view of realized and expected labor market conditions and inflation, the Committee decided to raise the target range for the federal funds rate to 1 3/4 to 2 percent.

The stance of monetary policy remains accommodative, thereby supporting strong labor market conditions and a sustained return to 2 percent inflation.

A Federal Reserve Implementation note released simultaneously with the announcement stated that:

The Board of Governors of the Federal Reserve System voted unanimously to raise the interest rate paid on required and excess reserve balances to 1.95 percent, effective June 14, 2018. Setting the interest rate paid on required and excess reserve balances 5 basis points below the top of the target range for the federal funds rate is intended to foster trading in the federal funds market at rates well within the FOMC’s target range.

As a result, the Board is amending § 204.10(b)(5) of Regulation D to change IORR to 1.95 percent and IOER to 1.95 percent.

III. Administrative Procedure Act

In general, the Administrative Procedure Act (‘‘APA’’)

The Regulatory Flexibility Act (‘‘RFA’’) does not apply to a rulemaking where a general notice of proposed rulemaking is not required.

As noted previously, the Board has determined that it is unnecessary and contrary to the public interest to publish a general notice of proposed rulemaking for this final rule. Accordingly, the RFA’s requirements relating to an initial and final regulatory flexibility analysis do not apply.

V. Paperwork Reduction Act

In accordance with the Paperwork Reduction Act (‘‘PRA’’) of 1995, the Board reviewed the final rule under the authority delegated to the Board by the Office of Management and Budget. 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 adding the following to the end of the section:

§ 204.10 Payment of interest on balances.

* * *

(b) * * *

(5) The rates for IORR and IOER are:

<table>
<thead>
<tr>
<th>Rate (percent)</th>
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<tbody>
<tr>
<td>IORR.............</td>
</tr>
<tr>
<td>IOER.............</td>
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Ann Misback,
Secretary of the Board.

[FR Doc. 2018–13267 Filed 6–19–18; 8:45 am]

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