

cause for making this amendment effective without 30 days advance publication. By improving the liquidity position of depository institutions subject to reserve requirements, implementation of the rule without 30 days advance publication could help alleviate pressures in short-term funding markets as well as support depository institutions' ability to provide financing to households and businesses. The Board believes that any delay in implementing the rule would prove contrary to the public interest. The Board is requesting comment on all aspects of the rule and will make any changes that it considers appropriate or necessary after review of any comments received.

V. Regulatory Flexibility Act

The Regulatory Flexibility Act requires an agency that is issuing a final rule to prepare and make available a regulatory flexibility analysis that describes the impact of the final rule on small entities. 5 U.S.C. 603(a). The Regulatory Flexibility Act provides that an agency is not required to prepare and publish a regulatory flexibility analysis if the agency certifies that the final rule will not have a significant economic impact on a substantial number of small entities. 5 U.S.C. 605(b).

Pursuant to section 605(b), the Board certifies that this interim final rule will

not have a significant economic impact on a substantial number of small entities. The interim final rule reduces reserve requirement ratios for all depository institutions to zero percent. All depository institutions, including small depository institutions, will benefit from the elimination of reserve requirements. There are no new reporting, recordkeeping, or other compliance requirements associated with the interim final rule.

VI. Paperwork Reduction Act

In accordance with the Paperwork Reduction Act (44 U.S.C. 3506; 5 CFR 1320 Appendix A.1), the Board has reviewed the interim final rule under authority delegated to the Board by the Office of Management and Budget. The rule contains no collections of information pursuant to the Paperwork Reduction Act.

VII. Plain Language

Section 772 of the Gramm-Leach-Bliley Act requires the Board to use "plain language" in all proposed and final rules. In light of this requirement, the Board has sought to present the interim final rule in a simple and straightforward manner. The Board invites comment on whether the Board could take additional steps to make the rule easier to understand.

List of Subjects in 12 CFR Part 204

Banks, Banking, Reporting and recordkeeping requirements.

Authority and Issuance

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. In § 204.4, paragraph (f) is revised to read as follows:

§ 204.4 Computation of required reserves.

* * * * *

(f) For all depository institutions, Edge and Agreement corporations, and United States branches and agencies of foreign banks, required reserves are computed by applying the reserve requirement ratios in table 1 to this paragraph (f) to net transaction accounts, nonpersonal time deposits, and Eurocurrency liabilities of the institution during the computation period.

TABLE 1 TO PARAGRAPH (f)

Reservable liability	Reserve requirement
Net Transaction Accounts:	
\$0 to reserve requirement exemption amount (\$16.9 million)	0 percent of amount.
Over reserve requirement exemption amount (\$16.9 million) and up to low reserve tranche (\$127.5 million)	0 percent of amount.
Over low reserve tranche (\$127.5 million)	0 percent of amount.
Nonpersonal time deposits	0 percent.
Eurocurrency liabilities	0 percent.

By order of the Board of Governors of the Federal Reserve System, March 16, 2020.

Ann Misback,
Secretary of the Board.

[FR Doc. 2020-05806 Filed 3-23-20; 8:45 am]

BILLING CODE 6210-01-P

FEDERAL RESERVE SYSTEM

12 CFR Part 204

[Docket No. R-1701; RIN 7100-AF 75]

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 0.10 percent and IOER is 0.10 percent, a 1.00 percentage point decrease from their prior levels. The amendments are intended to enhance the role of IORR and IOER in maintaining the Federal funds rate in 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 March 24, 2020.

Applicability date: The IORR and IOER rate changes are applicable on March 16, 2020.

FOR FURTHER INFORMATION CONTACT: Sophia H. Allison, Senior Special Counsel (202-452-3565), Legal Division, or Francis Martinez, Senior Financial Institution & Policy Analyst (202-245-4217), or Laura Lipscomb, Assistant Director (202-912-7964), 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 (“Act”) imposes reserve requirements on certain types of deposits and other liabilities of depository institutions.¹ 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”).² 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.³ Institutions that are eligible to receive earnings on their balances held at Reserve Banks (“eligible institutions”) include depository institutions and certain other institutions.⁴ Section 19 also provides that the Board may prescribe regulations concerning the payment of earnings on balances at a Reserve Bank.⁵ Prior to these amendments, Regulation D specified a rate of 1.10 percent for both IORR and IOER.⁶

II. Amendments to IORR and IOER

The Board is amending § 204.10(b)(5) of Regulation D to specify that IORR is 0.10 percent and IOER is 0.10 percent. The amendments represent a 1.00 percentage point decrease in IORR and IOER. The amendments to each rate were associated with a decrease in the target range for the federal funds rate, from a target range of 1 to 1¼ percent to a target range of 0 to ¼ percent, announced by the FOMC on March 15, 2020 with an effective date of March 16, 2020. The FOMC’s press release on the same day as the announcement noted that:

The coronavirus outbreak has harmed communities and disrupted economic activity in many countries, including the United States. Global financial conditions have also been significantly affected. Available economic data show that the U.S. economy came into this challenging period on a strong footing. Information received since the Federal Open Market Committee met in January indicates that the labor market remained strong through February and economic activity rose at a moderate rate. Job gains have been solid, on average, in recent months, and the unemployment rate has

remained low. Although household spending rose at a moderate pace, business fixed investment and exports remained weak. More recently, the energy sector has come under stress. On a 12-month basis, overall inflation and inflation for items other than food and energy are running below 2 percent. Market-based measures of inflation compensation have declined; survey-based measures of longer-term inflation expectations are little changed.

Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. The effects of the coronavirus will weigh on economic activity in the near term and pose risks to the economic outlook. In light of these developments, the Committee decided to lower the target range for the federal funds rate to 0 to ¼ percent. The Committee expects to maintain this target range until it is confident that the economy has weathered recent events and is on track to achieve its maximum employment and price stability goals. This action will help support economic activity, strong labor market conditions, and inflation returning to the Committee’s symmetric 2 percent objective.

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

The Board of Governors of the Federal Reserve System voted unanimously to set the interest rate paid on required and excess reserve balances at 0.10 percent, effective March 16, 2020.

As a result, the Board is amending § 204.10(b)(5) of Regulation D to change IORR to 0.10 percent and IOER to 0.10 percent.

III. Administrative Procedure Act

In general, the Administrative Procedure Act (“APA”) ⁷ imposes three principal requirements when an agency promulgates legislative rules (rules made pursuant to Congressionally-delegated authority): (1) Publication with adequate notice of a proposed rule; (2) followed by a meaningful opportunity for the public to comment on the rule’s content; and (3) publication of the final rule not less than 30 days before its effective date. The APA provides that notice and comment procedures do not apply if the agency for good cause finds them to be “unnecessary, impracticable, or contrary to the public interest.”⁸ Section 553(d) of the APA also provides that publication at least 30 days prior to a rule’s effective date is not required for (1) a substantive rule which grants or recognizes an exemption or relieves a restriction; (2) interpretive rules and statements of policy; or (3) a rule for which the agency finds good cause for

shortened notice and publishes its reasoning with the rule.⁹

The Board has determined that good cause exists for finding that the notice, public comment, and delayed effective date provisions of the APA are unnecessary, impracticable, or contrary to the public interest with respect to these final amendments to Regulation D. The rate changes for IORR and IOER that are reflected in the final amendments to Regulation D were made with a view towards accommodating commerce and business and with regard to their bearing upon the general credit situation of the country. Notice and public comment would prevent the Board’s action from being effective as promptly as necessary in the public interest and would not otherwise serve any useful purpose. Notice, public comment, and a delayed effective date would create uncertainty about the finality and effectiveness of the Board’s action and undermine the effectiveness of that action. Accordingly, the Board has determined that good cause exists to dispense with the notice, public comment, and delayed effective date procedures of the APA with respect to these final amendments to Regulation D.

IV. Regulatory Flexibility Analysis

The Regulatory Flexibility Act (“RFA”) does not apply to a rulemaking where a general notice of proposed rulemaking is not required.¹⁰ 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 1995,¹¹ 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.

Authority and Issuance

For the reasons set forth in the preamble, the Board amends 12 CFR part 204 as follows:

⁹ 5 U.S.C. 553(d).

¹⁰ 5 U.S.C. 603, 604.

¹¹ 44 U.S.C. 3506; see 5 CFR part 1320 Appendix A.1.

¹ 12 U.S.C. 461(b).

² 12 CFR 204.5(a)(1).

³ 12 U.S.C. 461(b)(1)(A) & (b)(12)(A).

⁴ See 12 U.S.C. 461(b)(1)(A) & (b)(12)(C); see also 12 CFR 204.2(y).

⁵ See 12 U.S.C. 461(b)(12)(B).

⁶ See 12 CFR 204.10(b)(5).

⁷ 5 U.S.C. 551 *et seq.*

⁸ 5 U.S.C. 553(b)(3)(A).

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), 461, 601, 611, and 3105.

■ 2. Section 204.10 is amended by revising paragraph (b)(5) to read as follows:

§ 204.10 Payment of interest on balances.

* * * * *

(b) * * *

(5) The rates for IORR and IOER are:

TABLE 1 TO PARAGRAPH (b)(5)

	Rate (percent)
IORR	0.10
IOER	0.10

* * * * *

By order of the Board of Governors of the Federal Reserve System, March 16, 2020.

Ann Misback,

Secretary of the Board.

[FR Doc. 2020-05805 Filed 3-23-20; 8:45 am]

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FEDERAL HOUSING FINANCE AGENCY

12 CFR Part 1238

RIN 2590-AB05

Stress Testing of Regulated Entities

AGENCY: Federal Housing Finance Agency.

ACTION: Final rule.

SUMMARY: The Federal Housing Finance Agency (FHFA) is adopting a final rule that amends its stress testing rule, consistent with section 401 of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA). These amendments adopt the proposed amendments without change to modify the minimum threshold for the regulated entities to conduct stress tests increased from \$10 billion to \$250 billion; removal of the requirements for Federal Home Loan Banks (Banks) subject to stress testing; and removal of the adverse scenario from the list of required scenarios. These amendments align FHFA’s rule with rules adopted by other financial institution regulators that implement the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) stress testing requirements, as amended by EGRRCPA.

DATES: *This rule is effective:* March 24, 2020.

FOR FURTHER INFORMATION CONTACT: Naa Awaa Tagoe, Senior Associate Director, Office of Financial Analysis, Modeling and Simulations, (202) 649-3140, *naaawaa.tagoe@fhfa.gov*; Karen Heidel, Assistant General Counsel, Office of General Counsel, (202) 649-3073, *karen.heidel@fhfa.gov*; or Mark D. Laponsky, Deputy General Counsel, Office of General Counsel, (202) 649-3054, *mark.laponsky@fhfa.gov*. The telephone number for the Telecommunications Device for the Deaf is (800) 877-8339.

SUPPLEMENTARY INFORMATION:

I. Background

Section 401 of the EGRRCPA, (Pub. L. 115-174, section 401) amended the Dodd-Frank Act requirements to implement stress testing. Prior to the passage of the EGRRCPA,¹ section 165(i) of the Dodd-Frank Act² required each financial company with total consolidated assets of more than \$10 billion to conduct annual stress tests. In addition, section 165 required FHFA to issue regulations for regulated entities to conduct their stress tests, which were required to include at least three different stress testing scenarios: “baseline,” “adverse,” and “severely adverse.”³ In September 2013, FHFA published in the **Federal Register** a final rule implementing the Dodd-Frank Act stress testing requirements. FHFA’s regulation, located at 12 CFR part 1238, requires each regulated entity to conduct an annual stress test based on scenarios provided by FHFA and consistent with FHFA prescribed methodologies and practices. The regulation also requires that the agency issue to the regulated entities stress test scenarios that are generally consistent with and comparable to those developed by the FRB not later than 30 days after the FRB publishes its scenarios.⁴

Section 401 of EGRRCPA amended certain aspects of the stress testing requirements applicable to financial companies in section 165(i) of the Dodd-Frank Act.⁵ Specifically, after 18 months, section 401 of EGRRCPA raises the minimum asset threshold for application of the stress testing requirement from \$10 billion to \$250 billion in total consolidated assets, revises the requirement for financial

companies to conduct stress tests “annually,” and instead requires them to conduct stress tests “periodically”, and no longer requires the stress test to include an “adverse” scenario, thus reducing the number of required stress test scenarios from three to two.

II. Discussion of Public Comments

On December 16, 2019, FHFA published in the **Federal Register** proposed amendments to the stress testing requirements for the regulated entities. The comment period closed on January 15, 2020. FHFA received one comment which stated that the threshold of \$250 billion in total consolidated assets was too high and lowering the threshold to \$100 billion in total consolidated assets would be more appropriate. EGRRCPA set the threshold at \$250 billion in total consolidated assets and the proposed rule reflects this statutory requirement. The Enterprises will continue to be covered by the rule at its new threshold, however, the Banks will not. After several years of assessing the Banks’ stress tests, FHFA believes that its other supervision tools are sufficient for the agency’s purposes, and that the additional burden on the Banks of conducting the annual stress tests is not necessary. FHFA retains under its general supervisory powers the discretion to require stress testing by the Banks if FHFA determines that it would be useful. Therefore, FHFA is adopting as its final rule the same rule proposed on December 16, 2019, without any change.

III. Summary of Final Rule

FHFA is adopting the proposed revisions to FHFA’s rule without change as follows: The rule discontinues the Dodd-Frank Act stress testing of the Banks; prescribes the frequency of stress testing; and reduces the number of scenarios mandated for Enterprise Dodd-Frank Act stress testing. These revisions are described in more detail below.

A. Minimum Asset Threshold

As described above, section 401 of EGRRCPA amends section 165 of the Dodd-Frank Act by raising the minimum threshold for financial companies required to conduct stress tests from \$10 billion to \$250 billion. As there are no Banks with total consolidated assets of over \$250 billion, the Banks will no longer be subject to the stress testing requirements of this rule. As the total consolidated assets for each Enterprise exceed the \$250 billion threshold, the Enterprises remain subject to stress testing under this rule.

¹ Public Law 115-174, 132 Stat. 1296 (2018).

² Public Law 111-203, 124 Stat. 1376 (2010), codified at 12 U.S.C. 5365.

³ 12 U.S.C. 5365(i)(2)(C).

⁴ 12 CFR 1238.3(b).

⁵ Public Law 115-174, 132 Stat. 1296-1368 (2018).