

Date: May 21, 2009
To: Chief Financial Officer
Subject: Federal Reserve Banks Authorized to Establish Excess Balance Accounts

The Board of Governors of the Federal Reserve System is amending Regulation D, Reserve Requirements of Depository Institutions, to authorize the establishment of limited-purpose accounts at Federal Reserve Banks, called excess balance accounts, for the maintenance of excess balances of interest-eligible institutions, effective July 2, 2009. The authorization of excess balance accounts is intended to address pressures on correspondent-respondent business relationships in the current interest rate environment. As market conditions evolve, the Board will evaluate the continuing need for excess balance accounts.

An excess balance account is an account at a Federal Reserve Bank established for one or more institutions (participants) that must be eligible to earn interest on balances held at the Federal Reserve Banks. Each participant must authorize another institution, which may be its correspondent, to manage the excess balance account on its behalf. Each participant and agent must execute an Excess Balance Account Agreement. The Federal Reserve Bank pays interest on the average aggregate balance maintained in the excess balance account over a one-week reserve maintenance period. Each participant instructs its agent with respect to disbursing the interest earned on its behalf. Only excess balances of participants may be placed in an excess balance account; funds in the account do not satisfy reserve balance requirements or contractual clearing balances for either participants or agents.

To read the Board's press release announcing the establishment of excess balance accounts, visit www.federalreserve.gov/newsevents/press/monetary/20090520b.htm. For more detailed information, including FAQs, setup instructions, forms and agreements, visit the Excess Balance Account Resource Center at FRBservices.org/accountservices/eba.html. To receive future announcements, visit FRBservices.org/communications/e_alerts.html to subscribe to Email Alert Notifications and include "Accounting" in your topic selections. If you have additional questions, please contact your Administrative Reserve Bank's [excess balance account contact](#).