

requirement for an applicant to be a Hungarian resident for five years. This simplified process also eliminated identity management protocols that are conditions of the Government of Hungary's standard naturalization procedure, including the collection of fingerprints and a facial image of the applicant. Without complete biometric data, including an image of the recently-naturalized citizen from the simplified naturalization process, the Government of Hungary's passport application process became susceptible to imposter fraud. Additionally, the Government of Hungary identified corrupt officials who sold Hungarian passports.

In October 2017, the Secretary notified the Government of Hungary by letter that it had been placed on provisional VWP status (pursuant to which Hungary is subject to an annual assessment, rather than an assessment every two years) due to its noncooperation with earlier U.S. Government requests for information and collaboration in the investigation of passport fraud. The letter outlined steps necessary for Hungary to return to normalized status as a participating country in the VWP.

Despite engagement by U.S. ambassadors and DHS up to the Secretary level since 2017, the Government of Hungary has made only limited progress in addressing vulnerabilities created by its "simplified" naturalization process. Its failure to address the large volume of identities that continue to be at risk of being exploited for *mala fide* purposes and its lack of investigative cooperation with U.S. law enforcement presents an elevated level of risk to the national security, law enforcement, and immigration enforcement interests of the United States.

DHS is publishing this document announcing that effective August 1, 2023, DHS is decreasing Hungary's ESTA validity period for travel to the United States from two years from the date of issuance to one year and limiting the validity of an ESTA for citizens or nationals of Hungary to a single use for ESTA applications received after the effective date of this document. This will have the dual effect of (1) sending a public signal regarding Hungary's non-compliance with VWP requirements, and (2) in the case of those with regular travel to the United States, creating an opportunity to obtain updated application and travel history information of Hungarian VWP travelers for vetting purposes. This is necessary due to Hungary's inability to fully satisfy its obligations under the VWP. Should Hungary's non-compliance with

VWP requirements continue, DHS, in consultation with State, may make further adjustments to Hungary's VWP designation at any time, including suspension or termination from the program.

**Robert Silvers,**

*Under Secretary for Strategy, Policy, and Plans Department of Homeland Security.*

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**BILLING CODE P**

## FEDERAL RESERVE SYSTEM

### 12 CFR Part 201

[Docket No. R-1811; RIN 7100 AG62]

#### Regulation A: Extensions of Credit by Federal Reserve Banks

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

**ACTION:** Final rule.

**SUMMARY:** The Board of Governors of the Federal Reserve System ("Board") has adopted final amendments to its Regulation A to reflect the Board's approval of an increase in the rate for primary credit at each Federal Reserve Bank. The secondary credit rate at each Reserve Bank automatically increased by formula as a result of the Board's primary credit rate action.

**DATES:** *Effective date:* This rule is effective August 2, 2023.

*Applicability date:* The rate changes for primary and secondary credit were applicable on July 27, 2023.

**FOR FURTHER INFORMATION CONTACT:** M. Benjamin Snodgrass, Senior Counsel (202-263-4877), Legal Division, or Kristen Payne, Lead Financial Institution & Policy Analyst (202-452-2872), Division of Monetary Affairs; for users of telephone systems via text telephone (TTY) or any TTY-based Telecommunications Relay Services, please call 711 from any telephone, anywhere in the United States; Board of Governors of the Federal Reserve System, 20th and C Streets NW, Washington, DC 20551.

**SUPPLEMENTARY INFORMATION:** The Federal Reserve Banks make primary and secondary credit available to depository institutions as a backup source of funding on a short-term basis, usually overnight. The primary and secondary credit rates are the interest rates that the twelve Federal Reserve Banks charge for extensions of credit under these programs. In accordance with the Federal Reserve Act, the primary and secondary credit rates are established by the boards of directors of

the Federal Reserve Banks, subject to review and determination of the Board.

On July 26, 2023, the Board voted to approve a 0.25 percentage point increase in the primary credit rate, thereby increasing the primary credit rate from 5.25 percent to 5.5 percent. In addition, the Board had previously approved the renewal of the secondary credit rate formula, the primary credit rate plus 50 basis points. Under the formula, the secondary credit rate increased by 0.25 percentage points as a result of the Board's primary credit rate action, thereby increasing the secondary credit rate from 5.75 percent to 6.0 percent. The amendments to Regulation A reflect these rate changes.

The 0.25 percentage point increase in the primary credit rate was associated with 0.25 percentage point increase in the target range for the Federal funds rate (from a target range of 5 percent to 5¼ percent to a target range of 5¼ percent to 5½ percent) announced by the Federal Open Market Committee on July 26, 2023, as described in the Board's amendment of its Regulation D published elsewhere in this issue of the **Federal Register**.

#### Administrative Procedure Act

In general, the Administrative Procedure Act ("APA")<sup>1</sup> 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."<sup>2</sup> 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.<sup>3</sup> The APA further provides that the notice, public comment, and delayed effective date requirements of 5 U.S.C. 553 do not apply "to the extent that there is involved . . . a matter relating to agency management or personnel or to public

<sup>1</sup> 5 U.S.C. 551 *et seq.*

<sup>2</sup> 5 U.S.C. 553(b)(3)(A).

<sup>3</sup> 5 U.S.C. 553(d).

property, loans, grants, benefits, or contracts.”<sup>4</sup>

Regulation A establishes the interest rates that the twelve Reserve Banks charge for extensions of primary credit and secondary credit. The Board has determined that the notice, public comment, and delayed effective date requirements of the APA do not apply to these final amendments to Regulation A. The amendments involve a matter relating to loans and are therefore exempt under the terms of the APA. Furthermore, 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.<sup>5</sup> 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,<sup>6</sup> 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 chapter II as follows:

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

■ 1. The authority citation for part 201 continues to read as follows:

**Authority:** 12 U.S.C. 248(i)–(j), 343 *et seq.*, 347a, 347b, 347c, 348 *et seq.*, 357, 374, 374a, and 461.

■ 2. Section 201.51 is amended by revising paragraphs (a) and (b) to read as follows:

### § 201.51 Interest rates applicable to credit extended by a Federal Reserve Bank.<sup>3</sup>

(a) *Primary credit.* The interest rate at each Federal Reserve Bank for primary credit provided to depository institutions under § 201.4(a) is 5.5 percent.

(b) *Secondary credit.* The interest rate at each Federal Reserve Bank for secondary credit provided to depository institutions under § 201.4(b) is 6.0 percent.

\* \* \* \* \*

<sup>3</sup> The primary, secondary, and seasonal credit rates described in this section apply to both advances and discounts made under the primary, secondary, and seasonal credit programs, respectively.

By order of the Board of Governors of the Federal Reserve System.

**Ann E. Misback,**

*Secretary of the Board.*

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**BILLING CODE 6210–01–P**

## FEDERAL RESERVE SYSTEM

### 12 CFR Part 204

[Docket No. R–1812; RIN 7100–AG63]

### 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”) has adopted final amendments to its Regulation D to revise the rate of interest paid on balances (“IORB”) maintained at Federal Reserve Banks by or on behalf of eligible institutions. The final amendments specify that IORB is 5.4 percent, a 0.25 percentage point increase from its prior level. The amendment is intended to enhance the role of IORB in maintaining the Federal funds rate in the target range established by the Federal Open Market Committee (“FOMC” or “Committee”).

**DATES:** *Effective date:* This rule is effective August 2, 2023.

*Applicability date:* The IORB rate change was applicable on July 27, 2023.

**FOR FURTHER INFORMATION CONTACT:** M. Benjamin Snodgrass, Senior Counsel (202–263–4877), Legal Division, or

Kristen Payne, Lead Financial Institution & Policy Analyst (202–452–2872); for users of telephone systems via text telephone (TTY) or any TTY-based Telecommunications Relay Services, please call 711 from any telephone, anywhere in the United States; 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.<sup>1</sup> 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”).<sup>2</sup> 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.<sup>3</sup> Institutions that are eligible to receive earnings on their balances held at Reserve Banks (“eligible institutions”) include depository institutions and certain other institutions.<sup>4</sup> Section 19 also provides that the Board may prescribe regulations concerning the payment of earnings on balances at a Reserve Bank.<sup>5</sup> Prior to these amendments, Regulation D established IORB at 5.15 percent.<sup>6</sup>

#### II. Amendment to IORB

The Board is amending § 204.10(b)(1) of Regulation D to establish IORB at 5.4 percent. The amendment represents a 0.25 percentage point increase in IORB. This decision was announced on July 26, 2023, with an effective date of July 27, 2023, in the Federal Reserve Implementation Note that accompanied the FOMC’s statement on July 26, 2023. The FOMC statement stated that the Committee decided to raise the target range for the Federal funds rate to 5¼ to 5½ percent.

The Federal Reserve Implementation Note stated:

<sup>1</sup> 12 U.S.C. 461(b). In March 2020, the Board set all reserve requirement ratios to zero percent. *See* Interim Final Rule, 85 FR 16525 (Mar. 24, 2020); Final Rule, 86 FR 8853 (Feb. 10, 2021).

<sup>2</sup> 12 CFR 204.5(a)(1).

<sup>3</sup> 12 U.S.C. 461(b)(1)(A) and (b)(12)(A).

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

<sup>5</sup> *See* 12 U.S.C. 461(b)(12)(B).

<sup>6</sup> *See* 12 CFR 204.10(b)(1).

<sup>4</sup> 5 U.S.C. 553(a)(2).

<sup>5</sup> 5 U.S.C. 603, 604.

<sup>6</sup> 44 U.S.C. 3506; *see* 5 CFR part 1320, appendix A.1.