



Credit Union National Association

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VIA: EMAIL regs.comments@federalreserve.gov

March 28, 2008

Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW.
Washington, DC 20551

Re: Docket No. R-1307; Reserve Requirements of Depository Institutions

Dear Ms. Johnson:

The Credit Union National Association (CUNA) appreciates the opportunity to comment on the Federal Reserve Board's (Board's) proposed amendments to Regulation D, Reserve Requirements of Depository Institutions. By way of background, CUNA is the largest credit union trade organization in this country, representing approximately 90 percent of our nation's 8,400 state and federal credit unions, which serve 90 million members. This letter was developed under the auspices of CUNA's Payments Policy Subcommittee, chaired by Terry West, President and CEO of VyStar Credit Union in Jacksonville, Florida.

Summary of CUNA's Views

The Board is proposing amendments to Regulation D that include two substantive changes as well as certain clarifications. A summary of CUNA's views is below:

- CUNA is seeking clarification that when more than one partial early withdrawal is made from a time deposit account and an additional penalty is not charged, the deposits could still be classified as a savings deposit not subject to reserve requirements.
- CUNA supports the amendments to the definition of savings deposit as they would make the withdrawal limitations less confusing for



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consumers and would facilitate the broader use of developing electronic payment technologies.

- CUNA is also asking the Federal Reserve Board to specify in its definition of savings deposit that permitting no more than six “convenient” withdrawals per month would not subject the account to reserve requirements.

CUNA is also urging the Board to implement its statutory authority to reduce reserve requirements to zero, as discussed later in this letter.

Discussion of CUNA’s Views

Before addressing the proposed amendments, CUNA would like to comment on a more general issue regarding reserve requirements. Effective in 2011, the Federal Reserve Board is authorized to reduce reserve requirements on transaction accounts to zero. This is a very positive outcome given the fact that Regulation D reserves are not important for monetary policy purposes. In that connection, we urge the Board to begin working with the financial institution sector now to transition to zero reserve requirements as soon as possible consistent with its statutory authority under the Financial Services Regulatory Relief Act of 2006.

In addition to our broader policy issue, we are seeking clarification of certain aspects of the proposal. The Board is proposing to clarify that when more than one partial early withdrawal is made from a time deposit, to maintain its classification, a withdrawal cannot be made more frequently than every seven days unless a penalty of at least seven days’ simple interest is charged. Clarification should be provided that if no penalty is charged, deposits could still be classified as a savings deposit not subject to reserve requirements.

Regulation D distinguishes “transaction accounts” from “savings deposits” by the ease with which a depositor may make transfers or withdrawals from the account. Savings deposits, by definition, are limited in the number of certain “convenient” transfers or withdrawals that may be made to not more than six per month. Within the overall limit of six, not more than three transfers or withdrawals may be made by check, debit card or similar order by the depositor payable to third parties. This is referred to as the “six-three distinction.”

The Board is proposing to amend the definition of “savings deposit” to eliminate the provision that limits withdrawals by checks, drafts, or debit cards to three per month. As a result, all types of “convenient” transfers and withdrawals from a savings deposit would have the same limit of six per month.

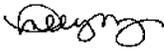
We believe that this would make the transfer and withdrawal limitations on savings accounts somewhat easier to understand and less confusing for consumers as well as less burdensome for financial institutions. Credit unions

have responded to ongoing member inquiries regarding the inability to complete certain transfers or withdrawals. A simpler “six withdrawals per month” rule for all types of transfers and withdrawals would enable credit unions to clarify the limits set on their members’ savings accounts.

We also ask that the Board reinforce and clarify that by having up to six convenient withdrawals from a savings account does not become a transaction account for purposes of Regulation D.

Thank you for the opportunity to express our views on the proposed modifications to the reserve requirements. If you have questions about our letter, please do not hesitate to give Senior Vice President and Deputy General Counsel Mary Dunn or me a call at 202-508-6733.

Sincerely,



Lilly Thomas
Assistant General Counsel