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March 2, 2009

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

**RE: Regulation D; Docket No. R-1350
Reserve Requirements of Depository Institutions**

Dear Ms. Johnson:

Southwest Corporate Federal Credit Union (“Southwest Corporate”) appreciates the opportunity to comment on the proposed amendments to Regulation D which would authorize the establishment of excess balance accounts (“EBAs”) at Federal Reserve Banks for the maintenance of excess balances of eligible institutions. Southwest Corporate is a federally chartered corporate credit union and operates under a “bankers’ bank” designation of the Federal Reserve System. As such, we would be one type of institution that would be eligible to serve as an EBA Agent under this proposed amendment. Southwest Corporate serves approximately 1,500 credit union members with investment, credit, payment, and correspondent services.

We appreciate the fact that the Federal Reserve Board is sensitive to the issues that some financial institutions have experienced since the Economic Stabilization Act of 2008 was enacted which allowed the Federal Reserve Banks to pay interest on required reserves and excess balances held at the Reserve Banks. We understand why the Federal Reserve Board would attempt to address solutions to those issues. However, as a correspondent financial institution for credit unions, Southwest Corporate has a number of concerns with the proposal and has not identified significant value to Southwest Corporate (as an EBA Agent) or to our members (as EBA Participants).

EBA Agent Administrative Concerns

Under this proposal, the EBA account Agent must maintain a pass-through Master Account with the Federal Reserve Bank for all EBA Participants. The Federal Reserve Bank would pay the EBA Agent earnings on this account on an aggregate basis and would not calculate an interest amount for each Participant.

Southwest Corporate (and I think we could speak for other corporate credit unions as well on this concern) would not have the capabilities within our current systems to automate the earnings calculations using the same formula that earnings were calculated on the EBA Agent's account. This would require significant programming efforts. It is not entirely clear within the proposal if the Agent could pay the Participant a different rate, or use a different calculation method, in paying the earnings on these funds. Since the funds in the EBA account are the property of the Participants, and this is a pass-through account, we are going to assume, until we obtain clarification to the contrary, that the earnings paid to the Participants would need to match what was paid to the Agent. The payment of earnings to the Participants under this assumption would impose an unacceptable level of cost to Southwest Corporate.

In addition, there are administrative costs in managing and reconciling this type of account for our members. This would also impose an unacceptable level of costs to Southwest Corporate. If the administrative costs were passed on to the member credit unions using this new account, the net benefit to the member credit unions would be less, and that would likely cause them to choose another option for investing their excess funds.

Value to Southwest Corporate and Member Credit Unions

As mentioned above, Southwest Corporate has not identified significant value to us or to our member credit unions under this proposal at this time. Southwest Corporate currently pays earnings rates on overnight accounts to member credit unions competitive to those that have been proposed for the EBA accounts. At this time Southwest Corporate has not had a need to force a reduction of on-balance sheet deposits. An additional concern of Southwest Corporate is that that our member credit unions might see an account being held at the Federal Reserve Bank as a "safe haven" and request that funds be moved to that account, thus impacting Southwest Corporate's business model through loss of earnings on those balances.

Summary

Thank you again for the opportunity to comment on this proposal. We respectfully request that you take into consideration the administrative impact that these accounts could impose on the EBA Agent, and the impact that such an account might have upon a corporate credit union's business model.

Sincerely,



Jody Beck
Senior Vice-President, Operations