



Credit Union National Association

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VIA: EMAIL regs.comments@federalreserve.gov

November 21, 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) interim rule to pay interest on balances held at the Federal Reserve Banks. By way of background, CUNA is the largest credit union trade organization in this country, representing approximately 90 percent of our nation's 8,200 state and federal credit unions, which serve about 91 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.

Before addressing the interim rule, 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 necessary for monetary policy purposes. In that connection, we urge the Board to begin working with the financial institution sector now on the transition to zero requirements consistent with its statutory authority under the Financial Services Regulatory Relief Act of 2006.

Additionally, we would like to commend the Board for its timely implementation of its statutory authority to pay interest on balances held at the Reserve Banks. This authority was granted in Title II of the Financial



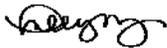
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Services Regulatory Relief Act of 2006, with an original effective date of October 1, 2011. The effective date was accelerated to October 1, 2008 in the Emergency Economic Stabilization Act of 2008.

We believe that paying interest on required reserves and excess balances would promote efficiency and stability in the financial services sector. Non-interest bearing reserve accounts provided a disincentive for financial institutions to hold more balances subject to reserve requirements than they otherwise would, which created declining reserves and inefficiencies in the banking system. While reserves may not be required for a successful monetary policy, paying interest on these balances would reduce the expense and resources incurred by financial institutions to reduce the amount in their transaction accounts.

Thank you for the opportunity to express our views on the amendments to the reserve requirements of depository institutions. 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