



California  
CREDIT UNION LEAGUE

NEVADA  
CREDIT UNION LEAGUE

Submitted via email: [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov)

December 13, 2011

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

Re: Proposed Amendments to Regulation D  
Docket No. R- 1433, RIN 7100-AD 83

Dear Ms. Johnson:

On behalf of the California and Nevada Credit Union Leagues, I appreciate the opportunity to comment on the Board's proposed amendments to Regulation D, which are intended to simplify the administration of reserve requirements and reduce administrative and operational costs for both depository institutions and Reserve Banks. By way of background, the California and Nevada Credit Union Leagues (Leagues) are the largest state trade associations for credit unions in the United States, representing the interests of more than 400 credit unions and their 10 million members.

In addition to making changes to certain terms used throughout Regulation D in order to clarify their meaning and ensure consistency, the proposed rule would make the following changes:

- Create a common two-week maintenance period for all depository institutions
- Create a penalty-free band around reserve balance requirements in place of using carryover and routine penalty waivers
- Discontinue as-of adjustments related to deposit revisions and replace all other as-of adjustments with direct compensation; and
- Eliminate the contractual clearing balance program.

### **The Leagues' Position and Recommendation**

The Leagues thank the Board for the changes anticipated by implementation of the proposed amendments. We believe that they represent an appropriate and welcome reduction in the administration burden and costs associated with reserve requirements. With that in mind, we believe the Board should take advantage of this rulemaking opportunity to further modernize and improve Regulation D to reflect evolving realities of technology and consumer preferences.

Currently, Regulation D §204.2(d)(2) limits the number of "convenient" transfers and withdrawals from savings accounts to no more than six per month (ATM transactions and preauthorized transfers from a consumer's savings account to the consumer's loan account are not limited). This limitation on convenient transfers and withdrawals has existed in one form or another since 1982. The limitation was originally imposed to help distinguish between transaction (checking) accounts and non-transaction (savings) accounts for reserve requirement purposes. However, advances in technology and changes in consumer behavior over the past 30 years have rendered this approach obsolete. The increased use of more efficient, cost-effective internet and electronic transaction channels—combined with the decline in the use of checks—has made this “six per month” limit an unnecessary and burdensome impediment to consumers’ ability to manage their own funds.

Therefore, the Leagues recommend that the Board remove the limitations on internal transfers (payments and deposits) made by consumers between their own accounts within the same financial institution. Transfers or payments to third parties would still be restricted and included within the limited transactions rule. We have included our recommended changes below, which would merely involve striking two phrases within the definition of “savings deposit” in the regulation. Such a change would comply with §19 of the Federal Reserve Act, which requires the Board to maintain the capacity to distinguish between transaction accounts and savings deposits for the purpose of imposing reserve requirements.

**Regulation D, §204.2(d)(2):**

*(2) The term “savings deposit” also means: A deposit or account, such as an account commonly known as a passbook savings account, a statement savings account, or as a money market deposit account (MMDA), that otherwise meets the requirements of §204.2(d)(1) and from which, under the terms of the deposit contract or by practice of the depository institution, the depositor is permitted or authorized to make no more than six transfers and withdrawals, or a combination of such transfers and withdrawals, per calendar month or statement cycle (or similar period) of at least four weeks, ~~to another account (including a transaction account) of the depositor at the same institution~~ or to a third party by means of a preauthorized or automatic transfer, or telephonic (including data transmission) agreement, order or instruction, or by check, draft, debit card, or similar order made by the depositor and payable to third parties. A preauthorized transfer includes any arrangement by the depository institution to pay a third party from the account of a depositor upon written or oral instruction (including an order received through an automated clearing house (ACH)) or any arrangement by a depository institution to pay a third party from the account of the depositor at a predetermined time or on a fixed schedule. Such an account is not a transaction account by virtue of an arrangement that permits transfers for the purpose of*

*repaying loans and associated expenses at the same depository institution (as originator or servicer) or that permits transfers of funds from this account to another account of the same depositor at the same institution or permits withdrawals (payments directly to the depositor) from the account ~~when such transfers or withdrawals are made by mail, messenger, automated teller machine, or in person or when such withdrawals are made by telephone (via check mailed to the depositor)~~ regardless of the number of such transfers or withdrawals.*

Thank you for the opportunity to share our comments on this issue. We appreciate the Board's thoughtful consideration of our recommendation to further modernize the regulation, and believe that this simple regulatory adjustment would be welcomed by all consumer account holders and financial institutions.

Sincerely,



Diana R. Dykstra  
President/CEO