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May 21, 2020

Ann E Misback, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Re: Reg. D Interim Final Rule
Docket # R-1715; RIN 7100-AF-89

Dear Madam or Sir:

The Iowa Bankers Association (IBA) is a trade association representing 98 percent of the approximately 300 state- and national-chartered banks and federal thrifts operating in the state of Iowa. The IBA submits this letter to the Board of Governors of the Federal Reserve System (Board) in response to the Interim Final Rule related to Regulation D. We want to thank the Board for its leadership in soliciting our input on this Interim Final Rule.

This comment letter is in response to the Board's amendment to Regulation D (Reserve Requirements of Depository Institutions) to delete the numeric limits on certain transfers and withdrawals that may be made each month from "savings deposits". IBA members fully support the deletion of the six transfer transaction limitations found in section 12 CFR 204.2(d) of Regulation D. As stated in the Interim Final Rule, from a monetary policy perspective, there is no longer a need to limit preauthorized transfers from such accounts due to the shift to an ample reserve regime and the resulting elimination of reserve requirements regarding such accounts. The change supports the goal of allowing depository institutions customers more convenient access to their funds. It also removes the regulatory burden associated with preventing or tracking such withdrawal transactions and notifying depository customers when limits have been exceeded. Further the Interim Final Rule retained in the definition of "savings deposit" the depository institution's right by contract to require written notice of intended withdrawal not less than seven days before the withdrawal is made.

The Board also amended the definition of "transaction account" found in section 12 CFR 204.2(e)(2) of Regulation D clarifying that a "savings deposit" as defined in 12 CFR 204.2(d)(2) is now included in the definition of transaction account. This allows depository financial institutions flexibility in reporting these savings deposits as either savings or transaction accounts. While this makes sense from a monetary policy perspective, it calls into question whether these "accounts" are now considered transaction accounts for the purposes of funds availability coverage under the Expedited Funds Availability Act as implemented by Reg. CC as both sections now refer to accounts that allow unlimited withdrawals regardless of type and where the depository financial institution may reserve the right to require written notice of advance withdrawal. Reg. CC section 229.2(a) defines an account subject to the requirements of Subpart B as a deposit as defined in 12

CFR 204.2(a)(1)(i) that is a transaction account as described under 12 CFR 204.2(e), which now includes “savings deposits”.

229.2(a) Account.

(1) Except as provided in paragraphs (a)(2) and (a)(3) of this section, account means a deposit as defined in 12 CFR 204.2(a)(1)(i) that is a transaction account as described in 12 CFR 204.2(e). As defined in these sections, account generally includes accounts at a bank from which the account holder is permitted to make transfers or withdrawals by negotiable or transferable instrument, payment order of withdrawal, telephone transfer, electronic payment, or other similar means for the purpose of making payments or transfers to third persons or others. Account also includes accounts at a bank from which the account holder may make third party payments at an ATM, remote service unit, or other electronic device, including by debit card, but the term does not include savings deposits or accounts described in 12 CFR 204.2(d)(2) even though such accounts permit third party transfers. An account may be in the form of--

- (i) A demand deposit account,*
- (ii) A negotiable order of withdrawal account,*
- (iii) A share draft account,*
- (iv) An automatic transfer account, or*
- (v) Any other transaction account described in 12 CFR 204.2(e).*

While this section of Reg. CC goes on to exclude savings deposits as described in 12 CFR 204.2(d)(2), there is no significant difference between these two definitions creating confusion for depository financial institutions in defining which accounts fall under which definition, applying the funds availability coverage correctly and also subjecting these depository financial institutions to regulatory criticism for not providing the consumer protection under Reg. CC for accounts that the regulator deems to be transaction accounts.

IBA member banks ask the Board clarify the difference between the definition of “savings deposit” and “transaction account” under Reg. D. Options may include:

- Amending 12 CFR 204.2(e) to remove the right to require written advance notice of withdrawal;
- Amending the Interim Final Rule to require “savings deposits” to be disclosed on the Call Report as such thereby differentiating them from “transaction accounts”;
- Including the revised FAQs located at <https://www.federalreserve.gov/supervisionreg/savings-deposits-frequently-asked-questions.htm> including FAQ #13 below in the final rule clarifying that “savings deposits” are still exempt from coverage under Reg. CC and including how banks can differentiate between a “savings deposit” and a “transaction account”; and/or
- Remove the reference from 12 CFR 204.2(e) stating that a “savings deposit” is now considered a “transaction account.”

13. How did the recent amendments to Reg. D impact Reg. CC?

On April 24, 2020, the Board of Governors issued an interim final rule amending its Regulation D to delete the six per month limit on convenient transfers from “savings deposits.” Among other things, the interim final rule amended the definition of “transaction account” in 12 CFR 204.2(e) such that the definition now includes accounts described in 204.2(d)(2) (savings deposits).

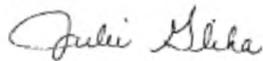
Regulation CC provides that an “account” subject to Regulation CC includes accounts described in 12 CFR 204.2(e) (transaction accounts) but excludes accounts described in 12 CFR 204.2(d)(2) (savings deposits). Because Regulation CC continues to exclude accounts described in 12 CFR 204.2(d)(2) from

the Reg CC "account" definition, the recent amendments to Regulation D did not result in savings deposits or accounts described in 12 CFR 204.2(d)(2) now being covered by Regulation CC.

To further support the Board's goal of streamlining Reg. D in relation to the ample reserve regime, IBA member banks ask the Board consider the complete removal of section 12 CFR 204.130 regarding NOW account eligibility. With the repeal of Reg. Q by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 allowing the payment of interest on deposit accounts and the elimination of the reserve requirements in 2020, there is no longer a need to retain the restrictions for NOW Accounts as contained in this section. As such, this section is outdated and no longer serves the purpose for which it was intended; therefore, it should be removed in its entirety.

We thank the Board for its thoughtful consideration of our comments. If you have any questions related to these comments, please feel free to contact me at 800-532-1423 or via the email address below. Thank you for your time and consideration.

Sincerely,



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Iowa Bankers Association
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