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May 13, 2019

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

Re: Regulation D: Reserve Requirements of Depository Institutions Rulemaking;
Docket No. R-1652; RIN 7100-AF-40

Dear Ms. Misback:

On behalf of America's credit unions, I am writing about the Federal Reserve Board's (Board) advance notice of proposed rulemaking (ANPR) on *Regulation D: Reserve Requirements of Depository Institutions*. The Credit Union National Association (CUNA) represents America's credit unions and their 115 million members.

Advance Notice of Proposed Rulemaking

The Board is requesting comment on whether it should propose amendments to its Regulation D (Reserve Requirements of Depository Institutions), to lower the rate of interest paid on excess balances (IOER) maintained at Federal Reserve Banks by eligible institutions that hold a very large proportion of their assets in the form of balances at Reserve Banks. While we appreciate the Board utilizing the ANPR process to determine next steps regarding possible changes to the rate of IOER for certain entities, we refrain from opining on the specifics of this ANPR at this time. Instead, we offer below concerns related to the Board's current limit in Regulation D of six transfers per month from a savings account.

Regulation D Monthly Transfer Limit

Regulation D is a federal regulation which places certain limits on the number of transfers or withdrawals consumers—including credit union members—can make from their savings accounts. The purpose of Regulation D is to regulate the level of reserves a financial institution maintains. The required reserve amount for each financial institution is based on the balances it has in its transactional accounts, such as checking accounts.

Specifically, § 204.2(d) of the Board's Regulation D establishes a limit of six transfers per month from a consumer's savings (or money market) account when made by various

“convenient” methods.¹ Once a consumer has reached his or her Regulation D withdrawal or transfer limit, funds can no longer be electronically transferred from their affected savings account. The Regulation D transfer limit can affect a consumer’s ability to move funds. After the sixth withdrawal or transfer, the only way to access funds is in person or by using an ATM.

Further, the Regulation D transfer limit can affect a consumer’s overdraft protection. After the sixth electronic withdrawal or transfer, a consumer’s savings account will no longer be available for further overdraft protection.² Therefore, debit card transactions that attempt to draw from savings accounts when there are insufficient funds in checking—beyond the six permitted each month—will be denied, unless other forms of overdraft are set up on the account.

Whether as part of or outside the Board’s current inquiry into Regulation D, we urge the Board to examine how it can increase the Regulation D transfer limit beyond six transactions per month. We believe such threshold is arbitrary, antiquated, and unnecessary. At the very minimum, the Board should increase the transfer limit to at least 25 transactions per month. For the consumer protection issues described above, we believe it is long overdue for the Board to update this limit that has its roots in the early 1980s.³

Conclusion

On behalf of America’s credit unions and their 115 million members, thank you for the opportunity to share our comments regarding the Board’s current Regulation D limit on transfers from a savings account. If you have questions about our comments, please do not hesitate to contact me at (202) 508-6743.

Sincerely,



Luke Martone
Senior Director of Advocacy & Counsel

¹ 12 CFR 204.2(d)(2). “Convenient” methods typically include: checks, debit card payments, pre-authorized or automatic withdrawals or transfers (EFT/ACH transactions), and overdraft protection transfers from a savings account; and exclude: transactions made in person, at an ATM, by mail, transfers for making loan/credit card payments at the same institution, and checks requested by phone payable to the account holder.

² Prior to May 2013, overdrafts from a savings or money market account to cover debit card transactions were not included within the six withdrawals permitted under Regulation D.

³ Garn-St Germain Depository Institutions Act of 1982, Pub. L. 97-320 (Oct. 15, 1982).