**Policy 9420: Regulation D: Monetary Control Act**

**Model Policy Revised Date: 1/3/2024**

**Introduction:**

The Federal Reserve Board’s (FRB) Regulation D, imposes reserve requirements on certain deposits and other liabilities of depositary institutions solely for the purpose of implementing monetary policy. It specifies how the Credit Union must classify different types of deposit accounts for reserve requirements.

Regulation D distinguishes between reservable “transaction accounts” and non-reservable “savings deposits” based on the ease with which the depositor may make transfers (payments to third parties) or withdrawals (payments directly to the depositor) from the account.

*Previously, the Credit Union was required to impose limits on the number of certain convenient kinds of transfers or withdrawals that an account holder may make from a “savings deposit” to not more than six per month (six transfer limit) under Regulation D. While reporting to the FRB through form FR 2900 may still be required, the six-transfer limit is discretionary and not required under Regulation D. The Credit Union will determine contractually with their member if transaction limits will be imposed.*

**Highlights:**

1. **TYPES OF DEPOSITS COVERED.**Regulation D controls how the Credit Union defines certain terms and conditions of deposit accounts. The characteristics of the accounts may determine whether the Credit Union imposes transaction limitations.  
   1. **Transaction Accounts.**For purposes of Regulation D, “transaction accounts” are defined as those accounts that the account holder is permitted to make transfers or withdrawals by negotiable or transferable instrument, payment order or withdrawal, telephone transfer, or other similar device for the purposes of making payments or transfers to third parsons or others or from which the depositor may make third party payments at an automated teller machine (ATM) or a remote service unit, other electronic device, including by debit card. Including:  
      1. Demand deposits.
      2. Checking accounts.
      3. Automatic Transfer Service (ATS) accounts.
      4. Telephone electronic order or instruction accounts.
      5. Negotiable Order of Withdrawal (NOW) accounts.
      6. Certain savings/deposit accounts.
   2. **Time Deposits**. “Time deposits” are defined as accounts where the member does not have the right to withdraw funds during the first six days from the date of the last deposit, unless the deposit is subject to an early withdrawal penalty. Time deposit accounts have the following characteristics:
      1. Must have a maturity of at least seven days from the date of deposit;
      2. May require at least seven days prior written notice of intent to withdraw funds;
      3. Must be subject to early withdrawal penalties if funds are withdrawn within six days of the date of deposit or within six days of the date of the immediately preceding partial withdrawal;
      4. May be interest-bearing;
      5. May be evidenced by a negotiable, transferable or nontransferable certificate, instrument, passbook, book entry, or other similar instrument;
      6. Include club accounts (such as a Christmas or Vacation club accounts); and/or
      7. No eligibility requirements.
   3. While Regulation D sets a minimum penalty for early withdrawal, the Credit Union may establish a higher penalty. However, there are some exceptions to the early withdrawal penalty, including:  
      1. Upon the death of the time deposit (share certificate) owner;
      2. When the owner is ruled by a court to be legally incompetent;
      3. When the time deposit is maintained in an IRA, Keogh or 401(k) plan, and all of the funds are paid within 7 days of opening the account;
      4. When the time deposit is maintained in an IRA, Keogh or 401(k) plan, and the member reaches 59 ½ or is disabled;
      5. When the owner of the time deposit is in danger of losing its share insurance due to the merger of two federally-insured credit unions; and
      6. When a time deposit is withdrawn within 10 days after a specified maturity date, even if the certificate contract provides for automatic renewal at maturity.
   4. **Savings Deposits.** 
      1. For purposes of Regulation D, “savings deposits” are defined as a deposit or account with respect to which the depositor is not required by the deposit contract but may at any time be required by the Credit Union to give written notice of an intended withdrawal not less than seven days before withdrawal is made, and that is not payable on a specified date or at the expiration of a specified time after the date of deposit. The term also includes a passbook savings account, a statement savings account, or as a money market deposit account (MMDA), that otherwise means the requirements of regulation and from which, under the terms of the deposit contract or by practice of the credit union, the depositor may be permitted or authorized to make transfers and withdrawals to another account (including a transaction account) of the depositor at the same institution or to a third party, regardless of the number of such transfers and withdrawals or the manner in which such transfers and withdrawals are made.
   5. **Eurocurrency Liabilities.** This category of deposits is subject to reserves, but only applies to those depository institutions that collect funds from foreign sources or that have foreign branches. The current reserving level is set at 0%.
2. **RESERVE REQUIREMENTS.**  
   1. Financial institutions with up to $36.1 million in net transactions (the reserve requirement exemption amount) are exempt from reserve requirements.
   2. Financial institutions with between $36.1 million and $644.0 million (the low reserve tranche) currently do not have a reserve requirement.
   3. Financial institutions with over $644.0 million currently do not have reserve requirements.
3. **REPORTING.**   
   1. **Weekly** – Total liquid and small time deposits greater than or equal to weekly reporting threshold ($1 billion) will file revised Form FR 2900, electronically.
4. **RESERVE MAINTENANCE/COMPUTATION PERIOD.**  
   1. Credit Union files a consolidated report for all branches.
   2. Overseas deposits are included on a case-by-case basis.
   3. Each report **must** be signed by a Credit Union official who certifies the accuracy.
   4. Reporting period is Tuesday through Monday. The average is computed by the Federal Reserve to required reserves.