

FEDERAL RESERVE BOARD REGULATION D

Federal Reserve Regulation D is not a new regulation. It was part of the International Banking Act of 1978. Regulation D imposes uniform reserve requirements on all depository institutions with transaction accounts or non-personal time deposits, defines such deposits, and requires reports to the Federal Reserve. All depository institutions, including commercial banks, savings banks, savings and loan associations, credit unions, and agencies or branches of foreign banks located in the United States, are subject to reserve requirements.

Note that Reg D imposes reserve requirements for financial institutions. The reserve requirements are based on the amount of transaction accounts that each institution holds. Transaction accounts are checking accounts OR any account that an institution does not restrict electronic transaction access from. Because reserves may not earn interest, financial institutions designate only checking accounts as transaction accounts. These accounts generally make up 10-30% of an institution's deposits. By limiting transaction accounts to only checking accounts, institutions do not have to place so much in reserve at no interest, thus greatly reducing earnings. If institutions allowed all accounts to be transaction accounts, interest rates on deposits would have to be much lower, fees much higher and loan rates higher.

What accounts do Regulation D affect?

The Federal Reserve Board's Regulation D defines the types and number of transactions that can be performed on non-transaction accounts. This includes all Share and Money Market Accounts, which are comprised of:

- Regular Savings Accounts
- Money Management Accounts
- Club Accounts
- CDs

What are the limitations of Regulation D?

During any calendar month or statement cycle, you may not make more than six withdrawals or transfers from your Share or Money Management Accounts to another OCU account of yours or to a third party by means of a pre-authorized or automatic transfer or telephonic order or instruction.

The general rule for determining if a specific transaction is subject to the regulations limits is that if a member doesn't go into a OCU branch, or uses any electronic means to conduct the transaction, it is most likely subject to Regulation D limitations.

Of the six total withdrawal/transfer limits, no more than three can be by share draft, check, debit card or similar payment vehicle payable to a third party when:

Made by phone, fax, or Online Banking and payable to a third party

- Made by phone, fax, or Online Banking to another account of the member at the credit union
- Made by preauthorized, automatic or
- Bill Payment arrangement for transfer to the member's account(s) at the credit union or to a third party

Transactions made in person at the OCU branches are not subject to any limitations, even if payment is directed to another party.

Are there certain types of withdrawals permitted by Regulation D?

You are allowed an unlimited number of withdrawals:

- Made in person at the OCU branch locations
- Made by messenger
- Made by a letter request
- Made by Phone, fax, or Online Banking, ONLY if a check payable to the member is mailed to the member
- Made using an Automated Teller Machine (ATM) card

Are there certain types of transfers permitted by Regulation D?

You are allowed an unlimited number of transfers:

- Made between the accounts of the same member AND made in person, by messenger, by mail, or using your OCU ATM/debit card
- Made by the member to pay a loan the member has with OCU

How can you avoid hitting Reg D limitations each month?

Most members have this problem because they have their direct deposit or payroll deductions going to their savings account instead of a checking account. They have automatic payments such as health clubs or life insurance taken from savings instead of checking and they have to call us to have funds transferred to checking. This causes them to hit the maximum, generally by mid-month. By changing these deposits to checking, and having auto payments taken from checking, most will not hit the limitation. If you don't have a checking account with us, open one and have deposits made to it and have automatic payments made from it. Remember, our checking accounts are *free*.