
RESERVES ON TRANSACTION ACCOUNTS (REGULATION D)

REVIEW CONSIDERATIONS

Review Considerations

Review Area	Requirements / Recommendations
Policy/Procedures	Adopt policy and comprehensive procedures for implementing Regulation D.
Coverage	Regulation D establishes the required amount a depository institution must reserve based on the level of transaction accounts on deposit. Institutions are required to maintain a certain level of reserves to assist the Federal Reserve Board in handling monetary policy.
Exemptions	Credit unions with net transactional accounts (primarily share draft accounts) less than \$6.6 million are exempt from reserving.
Reporting	<ul style="list-style-type: none">Every credit union with <u>total deposits</u> of \$6.6 million or more must file a report of deposits directly with the Federal Reserve Bank of its District.A Federal Reserve Bank will notify the credit union of its reserve requirementsThe credit union can hold reserves in the form of vault cash, a balance maintained directly with the Federal Reserve Bank in the Federal Reserve District in which it is located, or in a pass-through account.Reporting time periods according to net transactional accounts are as follows:
Deductions	In determining the reserve balance required, the amount of cash items in process of collection and balances subject to immediate withdrawal due from other depository institutions located in the United States may be deducted from the amount of gross transaction accounts.
Reserve Requirement Calculations	The following reserve ratios are prescribed for all Credit unions:

	<u>Category</u>	<u>Reserve Requirement</u>						
	<p>Net transaction accounts:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">\$0 to \$6.6 million</td> <td style="width: 40%;">0 percent</td> </tr> <tr> <td>Over \$6.6 million to \$45.4 million</td> <td>3 percent of amount.</td> </tr> <tr> <td>Over \$45.4 million</td> <td>\$1,164,000 plus 10 percent of amount over \$45.4 million</td> </tr> </table>	\$0 to \$6.6 million	0 percent	Over \$6.6 million to \$45.4 million	3 percent of amount.	Over \$45.4 million	\$1,164,000 plus 10 percent of amount over \$45.4 million	
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	<p>Reporting time periods based on net transactional accounts and total deposits are as follows (as of September 2004):</p> <ul style="list-style-type: none"> • Credit unions with <u>total deposits</u> of less than \$6.6 million are <u>not</u> required to file deposit reports. • Credit unions must file Form 2910a annually if they have <u>net transaction accounts</u> of \$6.6 million or less but have <u>total deposits</u> greater than \$6.6 million but less than \$1.074 billion. • Credit unions must file Form 2900 quarterly if they have <u>net transaction accounts</u> over \$6.6 million but have <u>total deposits</u> of less than \$161.2 million. • Credit unions must file Form 2900 weekly if they have <u>net transaction accounts</u>: <ul style="list-style-type: none"> ○ over \$6.6 million <u>and</u> have <u>total deposits</u> of at least \$161.2 million <u>or</u> ○ of \$6.6 million or less but have <u>total deposits</u> of at least \$1.074 billion 							
Record Retention	<p>No specific time frame is provided in the regulation for record retention. However, institutions should maintain documentation (typically a copy of the report filed) for examiner review. Examiners should also be able to determine timeliness of the reports based on credit union records.</p>							
Training	<p>Provide training to employees involved in the reporting of net transactions.</p>							
Updating	<p>Update policies and procedures to reflect changes in the regulation.</p>							

Internal Review	Conduct an internal review at least annually to assess compliance with the regulation and conformity of an institution's practices with its policies and procedures.
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