RESERVES ON TRANSACTION ACCOUNTS (REGULATION D)

DEFINITIONS

Definitions (Section 204.2)

Depository Institution
Any state or federally chartered financial institution that is federally insured or eligible for federal insurance.

Demand Deposit
A deposit that is payable on demand, a deposit issued with an original maturity or required notice of less than 7 days, or funds which the depository bank does not reserve the right to prior notice of at least 7 days before funds are withdrawn. Examples of demand deposits include share drafts, cashier's checks, traveler's checks, and money orders that are primary obligations of the issuing institution.

Savings Deposit
A deposit or account where the member is not required by the deposit contract to provide prior notice of withdrawal, but where the credit union can require at least 7 days advance notice at any time and it is not payable on a specific date. The term "savings deposit" includes regular share accounts with credit unions.

Transaction Accounts
Deposits from which a member is allowed to make transfers or withdrawals by negotiable order, check, telephone, or similar device for making third party payments. Examples include demand deposit accounts, NOW Accounts, share draft accounts, savings accounts with automatic transfer service capabilities, and time deposits where the financial institution does not impose a penalty for early withdrawal.

Pass Through Account
An account held in: an institution that maintains a required reserve balance with the Fed; a Federal Home Loan Bank; the NCUA CLF; or an institution authorized by the Fed to pass through required reserve balances (usually a corporate credit union).

Time deposit
(a) A deposit that the depositor does not have a right and is not permitted to make withdrawals from within six days after the date of deposit unless the deposit is subject to an early withdrawal penalty of at least seven days' simple interest on amounts withdrawn within the first six days after deposit. A time deposit from which partial early withdrawals are permitted must impose additional early withdrawal penalties of at least seven days' simple interest on amounts withdrawn within six days after each partial withdrawal. If such additional early withdrawal penalties are not imposed, the

account ceases to be a time deposit. The account may become a savings deposit if it meets the requirements for a saving deposit; otherwise it becomes a transaction account. Time deposit includes funds--

(i) Payable on a specified date not less than seven days after the date of deposit;
(ii) Payable at the expiration of a specified time not less than seven days after the date of deposit;
(iii) Payable only upon written notice that is actually required to be given by the depositor not less than seven days prior to withdrawal;
(iv) Held in club accounts (such as Christmas club accounts and vacation club accounts that are not maintained as savings deposits) that are deposited under written contracts providing that no withdrawal shall be made until a certain number of periodic deposits have been made during a period of not less than three months even though some of the deposits may be made within six days from the end of the period; or
(v) Share certificates and certificates of indebtedness issued by credit unions, and certificate accounts and notice accounts issued by savings and loan associations;

(b) A savings deposit;
(c) An IBF time deposit meeting the requirements of Sec. 204.8(a)(2); and
(d) Borrowings, regardless of maturity, represented by a promissory note, an acknowledgment of advance, or similar obligation described in Sec. 204.2(a)(1)(vii) that is issued to, or any bankers' acceptance (other than the type described in 12 U.S.C. 372) of the depository institution held by--
(i) Any office located outside the United States of another depository institution or Edge or agreement corporation organized under the laws of the United States;
(ii) Any office located outside the United States of a foreign bank;
(iii) A foreign national government, or an agency or instrumentality thereof, engaged principally in activities which are ordinarily performed in the United States by governmental entities;
(iv) An international entity of which the United States is a member; or
(v) Any other foreign, international, or supranational entity specifically designated by the Board.

A time deposit may be represented by a transferable or nontransferable, or a negotiable or nonnegotiable, certificate, instrument, passbook, or statement, or by book entry or otherwise.

<u>Cash item in process of collection</u>

(a)(i) Checks in the process of collection, drawn on a bank or other depository institution that are payable immediately upon presentation in the United States, including checks forwarded to a Federal Reserve Bank in process of collection and checks on hand that will be presented for payment or forwarded for collection on the following business day;
(ii) Government checks drawn on the Treasury of the United States that are in the process of collection; and

(iii) Such other items in the process of collection, that are payable immediately upon presentation in the United States and that are customarily cleared or collected by depository institutions as cash items, including:

(A) Drafts payable through another depository institution;

(B) Matured bonds and coupons (including bonds and coupons that have been called and are payable on presentation);

(C) Food coupons and certificates;

(D) Postal and other money orders, and traveler's checks;

(E) Amounts credited to deposit accounts in connection with automated payment arrangements where such credits are made one business day prior to the scheduled payment date to insure that funds are available on the payment date;

(F) Commodity or bill of lading drafts payable immediately upon presentation in the United States;

(G) Returned items and unposted debits; and

(H) Broker security drafts.

(b) Cash item in process of collection does not include items handled as noncash collections and credit card sales slips and drafts.

Net transaction accounts

The total amount of a depository institution's transaction accounts less the deductions allowed under the provisions of Sec. 204.3.

Vault cash

(a) United States currency and coin owned and held by a depository institution that may, at any time, be used to satisfy depositors' claims.

(b) Vault cash includes United States currency and coin in transit to a Federal Reserve Bank or a correspondent depository institution for which the reporting depository institution has not yet received credit, and United States currency and coin in transit from a Federal Reserve Bank or a correspondent depository institution when the reporting depository institution's account at the Federal Reserve or correspondent bank has been charged for such shipment.

(c) Silver and gold coin and other currency and coin whose numismatic or bullion value is substantially in excess of face value is not vault cash for purposes of this part.

Member bank

A depository institution that is a member of the Federal Reserve System.

United States

The States of the United States and the District of Columbia.

Teller's check

A check drawn by a depository institution on another depository institution, a Federal Reserve Bank, or a Federal Home Loan Bank, or payable at or through a depository institution, a Federal Reserve Bank, or a Federal Home Loan Bank, and which the drawing depository institution engages or is obliged to pay upon dishonor.