

# REGULATORY ALERT

NATIONAL CREDIT UNION ADMINISTRATION  
1775 DUKE STREET, ALEXANDRIA, VA 22314

**DATE:** November 2006 **NO:** 06-RA-06  
**TO:** All Federally-Insured Credit Unions  
**SUBJECT:** Regulation D Amendment

Dear Board of Directors:

The purpose of this Regulatory Alert is to inform you of recent changes to Regulation D by the Board of Governors of the Federal Reserve System (The Board). Regulation D mandates that all depository institutions hold a percentage of certain types of deposits as reserves in the form of vault cash, as a deposit in a Federal Reserve Bank, or as a deposit in a pass-through account at a correspondent institution. Reserve requirements currently are assessed on the credit union's net transaction accounts (mostly share draft accounts). Credit unions must also regularly submit deposit reports of their deposits and other reservable liabilities.

The changes announced by The Board reflect the annual indexing of the reserve requirement exemption amount and the low reserve tranche for 2007. These amounts are used in the calculation of reserve requirements of credit unions.

## **Low requirement exemption**

Transaction account balances maintained at each credit union are subject to reserve requirement ratios of zero, three or ten percent. A zero percent reserve requirement shall apply at each credit union to total reservable liabilities that do not exceed a certain amount, known as the reserve requirement exemption amount. For net transaction accounts in 2007, the first \$8.5 million will be exempt from reserve requirements.

## **Low reserve tranche**

Transaction account balances maintained at each credit union over the reserve requirement exemption amount and up to a certain amount, known as the low reserve tranche, are subject to a three percent reserve requirement. A three percent ratio will be assessed on net transaction accounts over \$8.5 million up to and including \$45.8 million for 2007. A ten percent reserve ratio will be assessed on net transaction accounts in excess of \$45.8 million.

The Board also announced changes in two other amounts, the nonexempt deposit cutoff level and the reduced reporting limit that are used to determine the frequency with which credit unions must submit deposit reports.

The calculation periods and deposit cut-off levels for reporting are also addressed at the Federal Reserve Board's website at:

<http://www.federalreserve.gov/boarddocs/press/bcreg/2006/20061018/default.htm>

Should you have questions about the adjustments to Regulation D, please do not hesitate to contact your regional office or state supervisory authority.

Sincerely,

/s/

JoAnn M Johnson  
Chairman