



RESERVE REQUIREMENTS AND REGULATION D AMENDED | FACT SHEET

BACKGROUND

Section 19 of the Federal Reserve Act (the “Act”) historically imposed reserve requirements on certain types of deposits and other liabilities of depository institutions. Depository institutions satisfied reserve requirements by maintaining cash in their vault or, if vault cash is insufficient, by maintaining a balance in an account at a Federal Reserve Bank. The amount that a depository institution must maintain is known as the depository institution's reserve requirement.

In January 2019, the FOMC announced its intention to implement monetary policy in an ample reserves regime. Reserve requirements do not play a role in this operating framework. In light of the shift to an ample reserves regime, the Board announced that, **effective March 26, 2020**, reserve requirement ratios were reduced to zero percent.

As a result of the elimination of reserve requirements on all transaction accounts, the retention of a regulatory distinction in Regulation D between reservable “transaction accounts” and non-reservable “savings deposits” is no longer necessary. In addition, financial disruptions arising in connection with the novel coronavirus situation have caused many depositors to have a more urgent need for access to their funds by remote means, particularly in light of the closure of many depository institution branches and other in-person facilities.

The Board amended Regulation D, **effective April 24, 2020**, to delete the six transfer limit from the “savings deposit” definition. This interim final rule includes deletion of the provisions in the “savings deposit” definition that require depository institutions either to prevent transfers and withdrawals in excess of the limit or to monitor savings deposits ex post for violations of the limit. The interim final rule also makes conforming changes to other definitions in Regulation D that refer to “savings deposit” as necessary.

EFFECTIVE DATES

March 26, 2020: The Board of Governors of the Federal Reserve System (“Board”) is amending its Regulation D (Reserve Requirements of Depository Institutions, 12 CFR part 204) to lower reserve ratios on transaction accounts maintained at depository institutions to zero percent.

April 24, 2020: Interim final rule eliminates six transfer limit from “savings deposit” definition, further amending Regulation D.

FAQs

Q.1. Does the interim final rule require depository institutions to suspend enforcement of the six convenient transfer limit on accounts classified as “savings deposits”?

A.1. No. The interim final rule permits depository institutions to suspend enforcement of the six transfer limit, but it does not require depository institutions to do so.

Q.2. May depository institutions continue to report accounts as “savings deposits” on their FR 2900 deposit reports even after they suspend enforcement of the six transfer limit on those accounts?

A.2. Yes. Depository institutions may continue to report these accounts as “savings deposits” on their FR 2900 reports after they suspend enforcement of the six transfer limit on those accounts.

Q.3. If a depository institution suspends enforcement of the six transfer limit on a “savings deposit,” may the depository institution report the account as a “transaction account” rather than as a “savings deposit”?

A.3. Yes. If a depository institution suspends enforcement of the six transfer limit on a “savings deposit,” the depository institution may report that account as a “transaction account” on its FR 2900 reports. A depository institution may instead, if it chooses, continue to report the account as a “savings deposit.”

Q.4. Does the interim final rule have any impact on the “reservation of right” provisions set forth in section 204.2(d)(1) of Regulation D?⁶

A.4. No. The interim final rule does not have any impact on section 204.2(d)(1) of Regulation D. The “reservation of right” continues to be a part of the definition of “savings deposit” under the interim final rule.

Q.5. If a depository institution suspends enforcement of the six transfer limit on a “savings deposit,” is the depository institution required to change the way that interest on the account is calculated or reported?

A.5. No. The interim final rule does not require a depository institution to change the way it calculates or reports interest on an account where the depository institution has suspended enforcement of the six transfer limit.

Q.6. Suppose a depository institution has account agreements with its “savings deposit” customers that require the depository institution to enforce the six transfer limit. Suppose further that the depository institution would like to amend those account agreements so that the depository institution no longer has a contractual obligation to enforce the six transfer limit on its “savings deposit” accounts. Does the interim final rule require the depository institution to amend those agreements in any particular way?

A.6. No. The interim final rule does not specify the manner in which depository institutions that choose to amend their account agreements may do so.

Q.7. If a depository institution chooses to suspend enforcement of the six transfer limit on a “savings deposit,” must the depository institution change the name of the account or product if the account or product name has the words “savings” or “savings deposit” in it?

A.7. No. The interim final rule does not require depository institutions to change the name of any accounts or products that have the words “savings” or “savings deposit” in the name of the account or product.

Q.9¹. May depository institutions suspend enforcement of the six transfer limit on a temporary basis, such as for six months?

A.9. Yes.

Q.10. Suppose that a depository institution currently has policies or provisions in their savings deposit account agreements pursuant to which the depository institution charges fees to savings deposit customers for transfers and withdrawals that exceed the six transfer limit. May a depository institution that suspends enforcement of the six transfer limit continue to charge these fees when savings deposit customers make seven or more convenient transfers and withdrawals in a month?

A.10. Regulation D does not require or prohibit depository institutions from charging their customers fees for transfers and withdrawals in violation of the six transfer limit. Accordingly, the deletion of the six transfer limit does not have a direct impact on the policies or account agreements of depository institutions that charge such fees to their customers.

There is no advance notice of a change in terms required under the Truth in Savings Act by virtue of eliminating the transaction limits on accounts. However, if you choose to lift those restrictions, it would be prudent to notify customers that these transaction limits are no longer enforced.

Finally, in the FAQs related to the reset of reserve requirements to zero, the question of whether this would be permanent was posed. Here is the question and the Board’s answer:

Q. Is the elimination of reserve requirements permanent?

A. Currently, the Board has no plans to re-impose reserve requirements. However, the Board may adjust reserve requirement ratios in the future if conditions warrant.

¹ We retained the numbering of the FAQs from the [interim final rule](#). There was no Q.8 or A.8 in the published rule.