

Federal Reserve Removes Monthly Transfer Limits on Savings Deposits

April 29, 2020

Pursuant to an interim final rule issued by the Federal Reserve Board (the “Board”), beginning April 23, 2020 depository institutions are no longer required to enforce the monthly limit of six convenient transfers from money market and other savings accounts. The rule amends the Board’s Regulation D to delete the transfer limits on “savings deposits.”

Background

Regulation D implements the reserve requirements of Section 19 of the Federal Reserve Act. Previously, Regulation D distinguished between reservable “transaction accounts” and non-reservable “savings deposits” based on the ease with which the depositor could make transfers (payments to third parties) or withdrawals (payments directly to the depositor) from the account. Regulation D limited the number of certain convenient transfers and/or withdrawals by an account holder from a “savings deposit” to not more than six per month. To implement such limit, depository institutions were required either to prevent transfers in excess of the six-transfer limit or monitor such accounts for violations.

Amendment to Regulation D

To allow depository institution customers more convenient access to their funds and to simplify account administration, the Board issued an interim final rule to amend Regulation D to delete the six-per-month limit on convenient transfers from the “savings deposit” definition. Specifically, the definition of “savings deposit” is revised in part to read: “[a] deposit or account, such as an account commonly known as a passbook savings account, a statement savings account, or as a money market deposit account (MMDA), that otherwise meets the requirements of §204.2(d)(1) and from which, under the terms of the deposit contract or by practice of the depository institution, the depositor may be permitted or authorized to make transfers and withdrawals to another account (including a transaction account) of the depositor at the same institution or to a third party, regardless of the number of such transfers and withdrawals or the manner in which such transfers and withdrawals are made.”

Please note that the interim final rule permits, but does not require, depository institutions to suspend enforcement of the six-transfer limit on a “savings deposit.” Additionally, the interim final rule does not mandate any changes to deposit reporting by depository institutions regarding such accounts.

Savings Deposits Frequently Asked Questions

The Board also updated its [Savings Deposits Frequently Asked Questions webpage](#) to provide additional guidance.

- Pursuant to Q&A 4 and 5, the interim final rule does not impact the deposit reporting practices of depository institutions which choose to remove the transfer limit. 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. Alternatively, depository institutions may report such accounts as "transaction accounts."
- Q&A 7 states that depository institutions which have suspended enforcement of the six-transfer limit are not required to change the way they calculate or report interest on savings deposits.
- Q&A 11 further explains that the deletion of the six-transfer limit under Regulation D does not have a direct impact on the policies or account agreements of depository institutions that charge fees for exceeding the six-transfer limit.

Possible Impact on IOLA Accounts

For a financial institution that offers Interest on Lawyer Accounts ("IOLAs"), please note that removing the monthly transfer limit on money market and other savings accounts may impact the rate of interest the institution must pay on IOLAs. The New York State IOLA Fund (the "Fund") requires an institution that offers IOLAs to pay interest on such accounts at a rate not less than the highest rate available to that institution's best customers on "comparable accounts." In the past, the Fund has recognized that money market accounts that have limited check writing capability are not "comparable accounts" to business checking accounts typically used for IOLAs. Because of this distinction, the Fund has generally not required institutions to pay a money market account interest rate (which is often higher than a standard checking with interest account) on IOLAs. If an institution now elects to permit unlimited check writing on a money market account, it could provide the Fund with a basis to claim that such an account is comparable to a business checking account and thus require the institution to pay a higher rate on IOLAs.

Additional Information

The interim final rule is available [here](#). If you have any questions regarding Regulation D or deposit compliance issues in general, please feel free to contact Joseph D. Simon at (516) 357-3710 or via email at jsimon@cullenllp.com, Kevin Patterson at (516) 296-9196 or via email at kpatterson@cullenllp.com, Elizabeth A. Murphy at (516) 296-9154, or via email at emurphy@cullenllp.com, or Mandy Xu at (516) 357-3850 or via email at mxu@cullenllp.com.

Please note that this is a general overview of changes to Regulation D and does not constitute legal advice.

Practices

- Banking and Financial Services

Attorneys

- Joseph D. Simon
- Kevin Patterson
- Elizabeth A. Murphy