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**FEDERAL RESERVE BOARD AMENDS REGULATION D
WITH RESPECT TO TRANSACTION LIMITATIONS
ON SAVINGS DEPOSITS**

The Federal Reserve Board has amended Regulation D (Reserve Requirements of Depository Institutions) to change the definition of “savings deposit” so that certain kinds of transfers are no longer limited to three per month. Under the revised definition, an account can still be classified as a “savings deposit” for reserve requirements even if the depositor is allowed to make more than three transfers per month by check, debit card, or similar order made payable to third parties. This amendment is effective on July 2, 2009.

Regulation D sets forth reserve requirements for depository institutions, and the reserve requirements vary depending on the type of account involved. The regulation requires higher reserves for “transaction accounts” (such as checking accounts) than for “savings deposits.” To distinguish between “transaction accounts” and “savings deposits,” Regulation D places a limit on certain kinds of transfers and withdrawals that are permitted from a “savings deposit” to six per month. This limit applies to preauthorized or automatic transfers (such as overdraft protection transfers or arranging to have bill payments deducted directly from the customer’s savings account), telephonic transfers, and transfers by check, debit card, or similar order to third parties.

Within this limit of six transfers and withdrawals per month, there is a sub-limit of three per month that applies to transfers and withdrawals by check, debit card, or similar order made by the depositor and payable to third parties. It is this sub-limit of three that is being removed from the definition of “savings deposit.”

Accordingly, as of July 2, 2009, a depository institution may consider an account a “savings deposit” even if the depositor makes more than three transfers and withdrawals per month by check, debit card or similar order made payable to third parties (as long as the total number of all restricted transfers and withdrawals does not exceed six per month).

Please note that this change to the definition of “savings deposit” does not *require* a depository institution to allow more than three transfers and withdrawals per month by check, debit card or similar order made by the depositor and payable to third parties. This is a permissive change, meaning that a depository institution can elect to make it any time on or after July 2, 2009, but it is not required to make the change.

If an institution does elect to remove the three per month sub-limit on transfers and withdrawals by check, debit card or similar order, a change in terms notice will not be required for existing customers because this change will benefit the customer. However, for new consumer customers, a depository institution will need to revise its account disclosure to reflect this change as per Regulations E (Electronic Fund Transfers) and DD (Truth in Savings).

If you have any questions regarding this change, please feel free to contact Joseph D. Simon at (516) 357-3710 or via email at jsimon@cullenanddykman.com.

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