Reserve Requirements for Depository Institutions

Purpose of Regulation D

The Federal Reserve Board of Governors (Fed) created Regulation D, "Reserve Requirements for Depository Institutions", to manage the United States' money supply. Regulation D dictates the reserves (cash) all financial institutions (FIs) are required to set aside in order to assist the Fed with this objective. More information about the Fed's monetary policy can be found at http://federalreserve.gov/monetarypolicy.

How it Works

The reserve requirement is calculated as a percentage of the amount of funds a financial institution's members hold in "**transaction" accounts, generally checking accounts**. Unlimited withdrawals and third-party transfers are allowed on transaction accounts; therefore, the balances in those accounts can change rapidly with no notice to the FI. Because balances can change quickly, the Fed requires FIs to reserve funds for those accounts as a stabilizing tool for the money supply.

Financial institutions are **not** required to reserve for funds held in "**non-transaction**" accounts, generally **savings accounts**. The money supply in non-transaction accounts is more stable because Regulation D limits withdrawals and also allows FIs to reserve the right to require seven days notice in writing before a withdrawal from a non-transaction account.

Impact to Elements Financial Members Withdrawals on non-transaction accounts (savings) are limited to six "covered" transactions per month. Not all withdrawals are considered covered transactions.

Examples of covered and non-covered withdrawals are included in the table below.

Covered Withdrawals (count toward the Regulation D limit of six per month)	**Withdrawals Not Covered** (do not count toward the Regulation D limit)
Telephone transfer	In-person
eBranch transfers and bill pay	Mail
Check to third party	ATM
Debit card	Messenger
Pre-authorized transfers	Transfer to pay a loan at Elements Financial
Overdraft transfers	Phone request for check **payable to** and **mailed to the member**

Scenario:

As of January 20, 2010 a member had paid a loan at another financial institution via pre-authorized transfer, electronically paid two bills, made a purchase with a debit card and initiated two fund transfers, all from a savings account. No additional withdrawals are allowed from that account during that calendar month.

Scenario:

As of March 20, 2010, a member had made three payments on Elements Financial loans, withdrawn funds from an ATM using a debit card twice and had made two withdrawals at an Elements branch from a savings account. Six additional covered withdrawals are still allowed from this account during that calendar month.

Elements Financial's Regulation D disclosures for all applicable account types can be found in our Checking & Savings Accounts Terms & Conditions, in the Truth-In-Savings Disclosure section of elements.org.