## Congress of the United States Washington, DC 20515

November 6, 2013

## Dear Colleague:

We recently introduced H.R. 3240, the Regulation D Study Act. We invite you to become a cosponsor of this legislation.

This bill directs the U.S. Government Accountability Office to study the impact of the Federal Reserve Board's monetary reserve requirements, implemented through Regulation D, on depository institutions, consumers, and monetary policy.

Regulation D impacts consumers by limiting the number of withdrawals from a savings account to six transactions per month. After six transactions, the next requested transfer is typically rejected or the accountholder is subject to a penalty. If the six transaction limit is ignored, then the depository institution has to re-classify the account as a "transaction account." Under current Regulation D rules, savings accounts are not subject to reserve requirements, while transaction accounts may be subject to high reserve requirements based on complicated formulas. Because only some transactions are subject to the six-per-month restriction, and others are permitted without limit, this rule is very confusing to consumers. This regulation forces financial institutions to focus on compliance rather than spending time with consumers to meet their financial needs.

Credit unions and community banks have raised questions about whether this law remains relevant. This issue was last considered by Congress in The Monetary Control Act of 1980, when all depository institutions became subject to monetary reserve requirements. Since that time, the Federal Reserve Board has rarely adjusted reserve levels. In fact, in a recent letter from Federal Reserve Chairman Bernanke, he said that "reserve balances far exceed the level of reserve requirements and the level of reserve requirements thus plays only a minor role in the daily implementation of monetary policy."

Our bill is simple. It directs the GAO to study:

- How the Fed has used reserve requirements to conduct monetary policy.
- The impact of the maintenance of reserve on depository institutions, including the operations requirements and associated costs.
- The impact on consumers in managing their accounts, including the costs and benefits of the reserving system.
- Alternatives to required reserves the Fed may have to affect monetary policy.

Too often, laws and regulations remain in place without ever being revisited, which adds to an ever-growing regulatory burden on businesses and consumers. This bill simply allows Congress to obtain the necessary information about the use of monetary reserves by the Federal Reserve Board. To cosponsor this bill, please contact Austen Jensen, in Rep. Robert Pittenger's office at <a href="mailto:Austen.Jensen@mail.house.gov">Austen.Jensen@mail.house.gov</a> or Ben Harney, in Rep. Carolyn Maloney's office at <a href="mailto:Ben.Harney@mail.house.gov">Ben.Harney@mail.house.gov</a>.

Sincerely,

Robert Pitter

Member of Congress

Carolyn Maloney Member of Congress

PRINTED ON RECYCLED PAPER