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From: "Tim Eischen" - 11/07/2008 12:00:08 PM

Subject: Reserve Requirements of Depository Institutions

To Whom It May Concern:

One of the downstream affects of paying interest on reserves is that it renders the "As of Adjustment" process useless for the correction of errors from previous periods.

In the past, the as of adjustments worked as intended as an increase in the required reserve balance would penalize an institution for receiving credits in error in the past by requiring a larger reserve requirement for a future period. The institution required a larger balance for their reserves which meant those funds were not available to invest elsewhere. Likewise, the institution that was debited for funds in error was given an adjustment to lower their two week reserve requirement, in effect giving them excess funds in the future reserve period which allows the institution to invest excess funds and to earn back the lost float.

Under the current system, with the FRB paying interest on reserves, the As-Of-Adjustments no longer works to correct the inequities of an error to an institutions FRB account. A new system needs to be developed to correct the compensation related to errors in the FRB system that works on actual interest debits and credits to the institutions involved.

For example:

Institution A and B each have a 100 MM daily average reserve requirement, ($1,400,000,000 total) for a two week period.

An encoding error causes Institution A to have $50,000,000 in their account over night that they were not entitled to.
Institution B was short $50,000,000 because of the error.

The error is corrected the next day and an As of Adjustment is created to adjust the reserve requirement for the next reserve period.

Institution A - Increase of $50,000,000, to $1,450,000,000 total for the next two week period, (Assuming the same base requirement)
Institution B - Decrease of $50,000,000 to $1,350,000,000 total over the next two week period.

Under the old method, (no interest on reserves), this error was corrected as institution A needed to increase their reserves by $50,000,000 which cost them the opportunity to earn interest in other investments and gave institution B a lower reserve which allowed them to invest an additional $50,000,000 over the two week period. This in effect corrected the error for each institution.

Under the new system with the Federal Reserve paying interest on the reserve requirements, there is no monitory gain or loss for either institution under the As-of-adjustment process. The original inequity is not corrected by the use of an as-of -adjustment.

If I am institution B, I was short $50,000,000 on the day the error occurred, which means I incurred a real loss because I either had to borrow an additional $50 Million to cover my position at the FRB, or I was short $50 Million that I could invest overnight to earn additional Interest. The As-of-Adjustment does not correct the situation now that the FRB is paying interest on reserves. Since the FRB is paying interest on reserves, lowering my reserve balance to $1,350,000,000 has no benefit. There is no difference to me financially by reducing my two week requirement.

Requirement at $1,350,000,000 - allows me to utilize $50,000,000 somewhere else over the two week period of time. The interest would be equal to the interest earned for funds left in the FRB.
In effect the decrease in the Reserve Requirement to $1,350,000,000 + Int. on $50,000,000 held elsewhere equals $1,400,000,000, (no adjustment) held at the FRB.

If you look at institution A, - They gain the use of funds of $50,000,000 on the day the error occurs, all the as-of adjustment does is increase the balance they need to keep at the next reserve period by $50,000,000, ($1,450,000), now that interest is received on the additional reserves, they do not lose anything.

Please call or email me to comment.

Thanks for considering my changes.

Tim Eischen
Financial Products Operations Manager
Members United Corporate Federal Credit Union
phone: 630-276-2765
fax: 630-276-2697
tim.eischen@membersunited.org

November 6, 2008

VIA EMAIL: regs.comments@federalreserve.gov

Jennifer J. Johnson, Secretary
Board of Governors of the
Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, DC 20551.

RE: Docket No. R-1334 (Accelerated Interest on Reserves)

Dear Jennifer:

Thank you for the opportunity to further respond to the Interim Rule regarding the accelerated payment of interest on reserves. TIB is the nation's largest bankers' bank serving over 1400 community banks nationwide. TIB purchases over $3 billion in fed funds daily from community banks and provides intra-bank liquidity facilities totaling $3.4 billion. TIB is considered by its customer banks as an important banking intermediary providing community banks with access to larger markets, liquidity facilities, and specialized services through local, privately held ownership. On the behalf of our customer banks, and all 8,000 community banks, please give my responses your thoughtful consideration.

Problem

The inability of the national fed funds market to trade at the Federal Funds Target Rate, coupled with the accelerated payment of interest on sterile reserves, and now the unnecessarily high Fed interest rate is producing a fundamental negative impact on the nation's 20 Bankers' Banks who collectively serve 8,000 community banks. The low return from the fed funds market is causing respondent banks to shift funds from Bankers' Banks to the Federal Reserve Banks in order to receive a higher return than can be offered via the Bankers' Banks' fed funds agency programs.

Consequences

As a result of the Fed's new pricing policy, Bankers' Banks risk losing agency fed funds programs, followed by principal fed funds and eventually services to the Fed potentially causing liquidity and funding issues at Bankers' Banks in the short-term. In the long-term, under sustained conditions, the very existence of most of the 20 Bankers' Banks is

threatened by the possibility of a permanent migration of funds and services from the private sector to the Fed.

Public Policy Concerns

- **Payments systems for community banks nationwide could be slowed because agency funds liquefy bankers' banks intraday.**
- **The massive migration of transactions from the private sector (bankers' banks) to the Fed violates our basic economic principles.**
- **Fed systems could become over burdened while rendering bankers' banks' investments in human capital, technology and equipment useless.**

We appreciate your thoughtful review. If you are interested in possible solutions, please contact me or my office. I may be reached at 972.650.6025 or morourke@mybankersbank.com if you need further clarification.

Thank you, again, for your consideration.

Sincerely,

Michael O'Rourke
President and CEO

TIB-The Independent BankersBank
350 Phelps Drive • Irving • Texas • 75038
800.288.4842

From: jechtermeyer -11/11/2008 07:15:06 AM

Subject: Reserve Requirements of Depository Institutions

Subject: DOCKET No. R-1334 - Federal Reserve interim rule to pay interest on balances held at the Reserve Banks.

Bankers Bank of the West (BBW) appreciates the opportunity to comment on the Federal Reserves (Fed) program to pay interest on reserves. BBW is one of 20 commercial bankers banks and provides a wide range of correspondent banking services to nearly 400 community banks. We support the Feds efforts to enhance tools for conducting monetary policy and establish confidence in the banking industry. However, there are numerous issues with the program and technical clarifications needed in order to ensure the program works as intended and does not put community banks at a disadvantage.

Bankers Bank of the West acts as a fed funds agent for roughly 300 community banks. On average, 140 community banks sell excess funds to our agent fed funds pool. By aggregating the excess funds of our respondent bank customers, we gain efficiencies and obtain better rates for our respondent banks. From this large pool of funds, we can also diversify sales of fed funds to large upstream banks and reduce credit risk. The support of bankers banks also allows community banks to compete with the large complex banking organizations. Finally, by charter bankers banks are not allowed to attract traditional deposits and instead rely on their agent fed funds pool as a source of funding to support thousands of community banks. A significant change or reduction in such a valuable funding source will greatly restrict bankers banks ability to support community banks and will diminish healthy competition within the industry.

Until the fed funds market is trading at or above the floor rate established by the Feds interest on reserve program, bankers banks will be at a significant disadvantage. The Feds program will drain excess funds from the fed funds market and reduce inter-bank funding, greatly hamper bankers banks ability to provide needed services to thousands of community banks, and create an unfair playing field for large banking organizations. In addition, implementation of the program nearly three years earlier than expected has created tremendous confusion and deprived the industry of the necessary time to prepare. Bankers banks earnings will also be negatively affected.

The Feds program to pay interest on reserves reduces the funds available within the fed funds market for inter-bank lending and in todays environment is in direct conflict with the FDICs TLGP. A goal of the TLGP is to encourage inter-bank lending (i.e. fed funds). However, paying interest on reserves encourages banks to remove excess funds from the fed funds market and reduces fed funds available to thousands of community banks. The Fed has done a lot to increase liquidity, but this program is taking that same liquidity out of the market place.

The current rate to be paid on excess reserves is too high. The fed funds target minus 35bps, and now only 10bps, does not work in a dysfunctional market that is trading well below the target 65bps. Large banks are already taking advantage of the community banks and it is anticipated that because of their control over the fed funds market they will opt out of the TLGP, avoid the 75bps fee and still pay rates below the Feds floor rate.

To compete with the Fed in a dysfunctional fed funds market, recover the cost of the TLGP, and attract funds necessary to support community banks, bankers banks will in effect have to pay a rate 75bps more than what the market place or Fed are paying on excess reserves. Banks selling fed funds will not accept a rate 75bps below the market rate to guarantee their funds when they can simply deposit the excess funds at Fed. And, bankers banks will not be able to charge banks needing to purchase fed funds a rate 75bps above the market rate or Feds discount rate to recover the 75bps.

The Fed has created an unfair playing field by paying interest on transaction accounts and not allowing correspondent banks to do the same for the same types of accounts held with them. Correspondent banks are at an even greater disadvantage when the Feds program is coupled with the 75bps penalty/fee banks must pay to participate in the TLGP.

In addition, premature implementation has created numerous operational problems. Bankers banks (and other correspondent banks) have not had an opportunity to establish programs to facilitate sweeping respondent banks excess balances to the Fed or other accounts, or to set up an equivalent program to support the Feds goals. Also, the Fed is providing a poor service by simply passing on lump-sum amounts of interest earned on pass-through balances and requiring correspondents to determine how much interest to pay each respondent bank.

There are also opportunities to enhance the program. For one, the new rule should provide a mechanism for bankers banks and other correspondent banks to designate and deposit excess funds at the Fed on behalf of their customer banks. This would work similar to the current pass-through accounts held by state non-member banks to meet reserve requirements. However, because of the size of the balances, correspondent banks must be able to report these as off-balance sheet items and allow the respondent bank to report the balances as deposits held at Fed. Furthermore, a determination needs to be made on how these balances will be handled under the FDIC TLGP. This will provide an efficient means for respondent banks to settle their payments at the correspondent and pass through excess reserves to the Fed.

Another possible solution the Fed should consider is buying funds directly from the bankers banks at the intended rate. This would be much more efficient and effective in forcing the market to pay a competitive rate.

We support the Feds efforts to enhance the tools for conducting monetary policy. However, we also believe that bankers banks can help strengthen this monetary tool further, and at the same time support community banks, by being allowed to pass through excess reserves and not being restricted in how much unsecured debt we can purchase under the FDIC.

Sincerely,
James H. Echtermeyer, SVP
Jim Echtermeyer, SVP

Bankers' Bank of the West
1099 18th St., Ste 2700
Denver, CO 80202
303-291-3700

Subject: Reserve Requirements of Depository Institutions

Date: Nov 13, 2008

Proposal: Regulation D - Reserve Requirements of Depository Institutions
Document ID: R-1334
Document Version: 1
Release Date: 10/06/2008
Name: James L Johnston
Affiliation: The Heartland Institute
Category of Affiliation: Educational
Address: 19 South LaSalle Street
Suite 903
City: Chicago
State: IL
Country: UNITED STATES
Zip: 60603
PostalCode:

Comments:

Interest on Reserves On October 6, 2008 the Federal Reserve announced that it would begin to pay interest starting on October 9, 2008 on required and excess reserves that individual banks maintain at the Fed. The stated rationale for the policy is to encourage banks to hold larger reserves. "[P]aying interest on required reserve balances will eliminate much of the reserve tax and lessen the incentive for depository institutions to engage in reserve avoidance behavior, which absorbs real resources and diminishes the efficiency of the banking system." This is exactly the wrong policy objective in an environment where banks are reluctant to lend to businesses and others. Banks faced with a choice between lending to risky business ventures and putting the money into excess reserves where interest (albeit short term) is guaranteed, they will choose the less risky. This tendency is especially strong now that the financial community has undergone a substantial shock where financial institutions were caught holding toxic loans which endangered their very existence. The current environment is also one where the velocity of money is dangerously low. This is reflected in a substantial increase in the value of the dollar. This, in turn, puts downward pressure on exports. It might be argued that paying interest on excess reserves is a small influence on bank behavior. However, such an assertion ignores the lesson of the 1937-38 depression. The recovery from the Great Depression was well on the way in the middle 1930s when the Federal Reserve observed that banks were holding more than twice the level of reserves that was required by Fed. Given the authority under the Banking Act of 1935, the Board of Governors of the Federal Reserve System doubled the reserve requirement of member banks between August 15, 1936 and May 1, 1937. The feeling was that the doubling the reserve requirement would generate an increase in public confidence and would not change the behavior of the banks. However, the banks responded to the Fed's signal by sharply increasing their already sufficient reserves. The result was the "over-deflation by the mid summer of 1937" and the subsequent sharpest downturn in U.S. economic activity in history. [Theories of the 1937-38 Crisis and Depression, Melvin D. Brockie, The Economic Journal, Vol. 60, No. 238 (Jun., 1950), pp. 292-310] Paying interest on excess reserves poses a substantial threat to the recovery. The policy should be immediately reversed. If it is not reversed the Federal Reserve risks causing the current downturn to be even sharper than the depression of 1937-38. Remember, it took World War II to correct that mistake. James L Johnston Economic Advisor and Director The Heartland Institute 19 South LaSalle Street Suite 903 Chicago, Illinois 60603 JJohnston@Heartland.org November 13, 2008

"Beverley Rutherford" <beverley.rutherford@vacu.org> on 11/14/2008 12:55:05 PM

Subject: Reserve Requirements of Depository Institutions

Thank you for the opportunity to comment on the Federal Reserve Board's (Board) proposal to pay interest on reserves. I am responding on behalf of the largest state-chartered credit union located in Virginia.

We support the Board's changes as proposed; however, we would ask the Board to reconsider the applicability of Regulation D, and look towards eliminating this regulation altogether if deemed appropriate to do so. It is difficult for consumers to understand why certain transactions are limited and not others, challenging for financial institutions and their host system providers to comply with, and needs to be revisited to determine its usefulness for setting monetary policy. Please let me know if you have any questions about our comments.

Beverley F. Rutherford, CIA, CUCE
Vice President/Compliance
Virginia Credit Union, Inc.
Richmond, VA
beverley.rutherford@vacu.org
804-560-5665

Subject: Reserve Requirements of Depository Institutions

Date: Nov 15, 2008

Proposal: Regulation D - Reserve Requirements of Depository Institutions
Document ID: R-1334
Document Version: 1
Release Date: 10/06/2008
Name: James P Salsman
Affiliation:
Category of Affiliation:
Address:

City: Mountain View
State: CA
Country: UNITED STATES
Zip: 94040
PostalCode:

Comments:

Board of Governors United States Federal Reserve System Ladies and Gentlemen: Why would you want to encourage banks to keep their money on deposit with you in the midst of a credit liquidity crisis? You have made exactly the wrong decision here. Please stop paying interest on bank deposits, so that the banks will have to use their capital to make loans to benefit their shareholders instead of just keeping it in cash deposits with you. For more information, please see graphs 2 and 3 here: http://www.dailykos.com/story/2008/11/12/155056/91/449/659578 Thank you. Sincerely, James Salsman

Subject: Reserve Requirements of Depository Institutions

Date: Nov 16, 2008

Proposal: Regulation D - Reserve Requirements of Depository Institutions
Document ID: R-1334
Document Version: 1
Release Date: 10/06/2008
Name: David Alexander
Affiliation: PlanetThoughts.org
Category of Affiliation: News Media
Address:

City: Bellerose
State: NY
Country:
Zip: 11426
PostalCode:

Comments:
Why are we now paying interest on bank deposits? I have to admit that this topic is rather complex for a non-professional such as myself. However, I am someone who has been in many transactions and business deals. Perhaps you can offer an English-language explanation of these actions that the citizens of this country can understand? I know this: Paul and Bernanke are poor leaders. I have seen this crash coming for years, we just put it off this long by a high degree of intoxication with the current financial system. It is time to look deeply at the roots of our cultural priorities and scale finance back to a MUCH less exciting business - the way it was in the 1950s, being strongly regulated and BORING.

Memorandum

To: Federal Reserve System
From: Bankers' Bank Northeast; Peter J. Sposito President & CEO
Date: **11/18/08**

Re: Docket No. R-1334; Regulation D Interim Final Rule 12 C F R Part 204

The recent changes in Reg D that enable the 12 Federal Reserve banks to pay interest on Excess Reserves threatens the viability of the private sector Fed Funds market that has operated so efficiently for a long time. This overnight market is at risk for many reasons:

1) During this stressful economic period wherein banks are averse to providing credit to each other, a natural reaction is to seek the safety of depositing at the Central Bank.

2) The E E S A has been applied to accelerate the payment of interest to the beginning of October 2008, 3 years before the planned implementation. Such a quick installation especially during stressful time does not allow the market to adjust in a measured fashion.

3) The untimely implementation is exacerbated by the removal of a "private sector adjustment factor" that was initially set at 75 basis points below the Fed target rate. Currently there is no adjustment factor in place.

4) The "Fed effective rate" has been running significantly below the Fed's target rate since inception. The intended result of attracting deposits to the Central Bank i.e. to close the gap between the target rate and the Fed effective rate is failing. It's failing because community banks are finding other sources of significantly better returns. They are paying off borrowings at the Federal Home Loan Banks; extending the maturities of their securities portfolios and reducing their daily liquidity position in a desperate effort to regain reasonable earnings rates. THE OVERALL EFFECT IS THAT THEY ARE LESS ABLE TO LEND. This phenomenon is in direct opposition to the goal of the E E S A. I would underline that there is no evidence that the changes are helping the Fed to achieve the target rate.

5) An unintended result of the Regulation D changes is that the country's largest banks are able to buy at extremely low rates and to sell at high rates with virtually no credit or interest rate risk. The large banks can do this because their balance sheets are huge and relatively unaffected by the funds they post.

Suggested solutions:

We respectfully that the Fed:

1) Enable correspondent banks, including bankers' banks to deposit overnight funds at the Fed with the caveat that the seller bank maintains ownership of the asset so that the correspondent can handle the transaction "off balance sheet". Such a process would come into play only in instances wherein the Fed effective rate trades below the target rate. In a normal rate environment the private sector would operate as it has historically without the need of Central Bank interference. This would allow the private sector to continue its role of distributing excess reserves in an efficient manner.
2) Apply the Fed Effective rate to the excess reserve interest calculation as opposed to the target rate. The Fed effective rate is the true value as determined by the market and as such would not artificially draw funds into a Central Bank account for reasons other than market valuation.

In summary the changes to Regulation D are detrimental to community banks and to their correspondent banks. Application of the Fed's Target Rate is not achieving the desired Fed Funds Target rate in the real market. Mega-banks are unintended benefactors of a failed market rate program. The Fed is unfairly competing with private sector correspondent banks.

The following provides additional detail as to how the Fed Funds as Agent program has worked over a long period of time:

The private sector Fed Funds market has been a stalwart component of inter-bank funds distribution for decades. The market has been heralded as an efficient mechanism to distribute excess reserves among banks. Over time the market has become a means for community banks to sell funds to the nation's largest banks. Community banks have evolved as net sellers of Fed Funds and large banks behave as net buyers. The reason for the pattern has to do with the differing values placed on liquidity by the two groups of banks.

Correspondent banks, including bankers' banks have evolved into aggregators for community banks. Our bankers' bank collects relatively small sales ranging in size from $50,000 to an average of $2,000,000. We have built extensive bank to bank communications systems that enable our client banks to easily direct excess funds through our Fed Funds desk.

The value of the service to our client banks is twofold: 1) By aggregating their total sales each day we are able to obtain market rates for them because we sell in much larger blocks than they can achieve on their own; 2) And more importantly we reduce their "buyer bank" risk by selling their funds to multiple banks thereby reducing their exposure to any one buyer bank.
We accomplish the above by operating a Fed-Funds-as-Agent program wherein we contractually sell client bank funds "off balance sheet"; i.e. we, as their correspondent do not take title to their "sells". Accordingly if our bank were to fail overnight the "buyer bank" would return the funds to our client, the seller bank. We keep accurate records as to which client bank has sold to each buyer bank each and every day.

Thank you for your attention to this important matter for community banks and their correspondents.

Sincerely,

Peter J. Sposito

From:

Subject: Reserve Requirements of Depository Institutions

Date: Oct 31, 2008

Proposal: Regulation D - Reserve Requirements of Depository Institutions
Document ID: R-1334
Document Version: 1
Release Date: 10/06/2008
Name: Shawn A Floyd
Affiliation:
Category of Affiliation: Other
Address:

City: Los Angeles
State: CA
Country: UNITED STATES
Zip: 90008
PostalCode:

Comments:

It is time for us to be more resourceful with our instruments in the financial market place. What harm would it do with proper oversight on pricing on our products, good, and services; if we increase the national debt 7 trillion dollars for 3 years to bolster our economy? With proper price oversight, inflation would be like sailing into the sunset and falling off the edge of the earth. The principal could be used by the memebers of the CDARS Network to further ease the credit crunch for business, and home mortages; while the interest earned on a monthly basis would be used to create jobs, incubate businesses, and create additional income for social security, health-care, education, and alternative fuel, energy, and vehicles just to name a few.

National Association of Federal Credit Unions
3138 10th Street North • Arlington, VA 22201-2149
(703) 522-4770 • (800) 336-4644 • Fax (703) 524-1082
www.nafcu.org • nafcu@nafcu.org

November 21, 2008

Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Ave., NW
Washington, D.C. 20551

RE: Reserve Requirements for Depository Institutions

Dear Ms. Johnson:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association that exclusively represents the interests of our nation's federal credit unions (FCUs), I am responding to the Board of Governors of the Federal Reserve System's (Board) request for comment on the interim final rule to amend Regulation D, Reserve Requirements of Depository Institutions. NAFCU would like to take this opportunity to express our strong support for the interim final and subsequent actions taken by the Board related to interest payments on reserves, and also provide the following specific comments.

NAFCU would first like to commend the Board for taking swift and decisive action to implement the provisions of the Emergency Economic Stabilization Act of 2008 (Stabilization Act) that provides the Board the authority to pay earnings on balances maintained at the Federal Reserve Banks by or on behalf of depository institutions. Over the past several years, NAFCU has been a staunch advocate of the Federal Reserve payments on Regulation D reserves, as many of our credit union members, either directly or through corporate credit unions, maintain reserves at the Federal Reserve Banks. We believe the exercise of the authority to pay earnings on these reserves, both required and excess reserves, provides credit unions and other depository institutions a reasonable option in their quest to find needed liquidity during this difficult economic climate.

The interim final rule, as published in the Federal Register on October 9, 2008, provided that rates on payments would be 10 basis points below the average target federal funds rate established by the Federal Open Market Committee (FOMC) on required balances and 75 basis points below the target federal funds rate on excess balances. 73 FR 59482. On October 22, 2008, the Board announced in a press release that the rates on excess balances would be set 35 basis points below the lowest FOMC target rate. On November 5, 2008, the Board issued a second press release in which it declared that rates on required reserve balances would be set at equal to the average target federal funds rate over the reserve maintenance period, while the rate on excess balances will be set equal to the lowest FOMC target rate in effect. The changes made on October 22 and November 5 were

based on the Board's opinion that rates on reserves that are closer to the funds rate would foster more trading in the funds market.

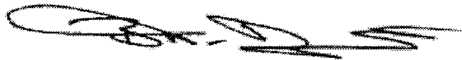
NAFCU applauds the Board for these actions related to payments on required reserve balances and excess balances. In particular, we believe the Board's decision to exercise its statutory authority and make changes subsequent to the publication of the interim rule shows its commitment to encouraging more activity in the funds market, and thereby enabling financial institutions to generate needed funds. As the purpose is to foster trading, the rates being paid out should not be unnecessarily low. We believe that the Board's actions will enable credit unions and others a viable option to generate liquidity, which in turn will allow them to extend more loans to consumers.

While we strongly support the Board's actions, we strongly recommend that the Board continue to watch the effect of its policy shifts on not only the funds market, but also on the securities markets. NAFCU does not believe the payment of interest of excess balances should serve as a mechanism for financial institutions to neglect the use of markets where institutions' funds can yield higher returns. If the result is such, the concern is that the goal of bringing about market liquidity may not be realized. Accordingly, we urge the Board to closely assess the effect of its actions on other markets and the overall economy, and to take appropriate actions.

Lastly, NAFCU would like to take this opportunity to reiterate our position that unnecessary regulations should be removed. Year after year, our member credit unions express their frustrations to us regarding the tremendous cost associated with burdensome regulations that are outdated and offer little to no benefit. We have in turn relayed this sentiment to the Board on numerous occasions. For example, we have requested that Regulation D's six transfer limitation on savings accounts be increased. In this electronic era where consumers demand the ability to easily transfer funds to and from particular accounts, the arbitrary limitation of six transfers from savings accounts creates an undue obstacle for consumers and financial institutions alike. While we recognize that the Board has taken steps toward ensuring that its regulations are up to date, such as its proposal to eliminate the "six-three distinction" in the transfers from savings deposits, we strongly urge that more be done to modernize Regulation D.

NAFCU appreciates this opportunity to share its comments on the proposed rule. Should you have any questions or require additional information please call me or Tessema Tefferi, NAFCU's Associate Director of Regulatory Affairs, at (703) 522-4770 or (800) 336-4644 ext. 268.

Sincerely,



B. Dan Berger
Senior Vice President of Government Affairs

BDB/tt

November 21, 2009

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

RE: Docket No. R-1334
Reserve Requirements of Depository Institutions

Dear Ms. Johnson:

Thank you for giving us the opportunity to comment on the Reserve Requirements of Depository Institutions Interim Rule. We are one of 20 bankers' banks in the nation. In the aggregate, bankers' banks serve over 6,000 of the nation's community banks.

As a bankers' bank, we have a robust Agent Fed Funds program which allows Bankers' Bank to place respondents' excess overnight funds under explicit contractual arrangements in various regional or money center banks. Our capacity to act "as agent" allows the transactions to be conducted as off-balance sheet transactions. Respondents receive an acknowledgement from us, as agent, which discloses the amount of Fed Funds sold to each end buyer.

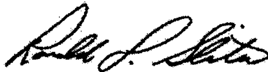
The desire and need of the Federal Reserve to stabilize a lower band on the trading range of overnight Fed Funds sold and to expand Reserve Bank's balance sheets as needed to implement monetary policy is clearly understood. Many respondent banks do not hold accounts with their Reserve Bank, instead choosing to utilize a pass through arrangement with their correspondent. As bankers' banks, we are in a unique position to place balances from our respondent accounts with the Federal Reserve.

In order to utilize the proposal to its best advantage, without unduly affecting our balance sheet or reducing liquidity in a tightening Fed Funds market, we propose that the Federal Reserve allow a correspondent to deposit overnight deposits on behalf of its respondents in co-mingled and off-balance sheet form in a specially designated account held at the Federal Reserve Bank. Funds would be deposited and returned on an overnight basis, similar to the overnight Agent Fed Funds programs established at many bankers' banks and other correspondent banks. Interest on those funds would be paid according to the market rate and returned with principal on a daily basis.

We understand that the Federal Reserve already acts as "Agent" in other sweep programs albeit not for Fed Funds purposes. Efficiencies could be created by returning co-mingled funds to a correspondent who has the responsibility to then forward the funds to its participating respondents. Records and acknowledgements would also be the responsibility of the correspondent implementing the agent program.

We feel that consideration of this suggestion will encourage interbank lending by banks of all sizes, while allowing the Federal Reserve to expand its balance sheet as necessary to provide sufficient liquidity to support financial stability and implement monetary policy appropriate to the current economy. Thank you for allowing us to comment.

Sincerely,



Ronald L. Slater
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November 21, 2008

Ms. Jennifer J. Johnson
Secretary
Board of Governors of the
Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Submitted via email

RE: Docket No. R-1334, Reserve Requirements of Depository Institutions

Dear Ms. Johnson:

The Independent Community Bankers of America (ICBA)[1] appreciates the opportunity to comment on the Board of Governors of the Federal Reserve System (Board) Interim Final Rule amending Regulation D, Reserve Requirements of Depository Institutions, permitting Federal Reserve Banks to pay interest on required reserve and excess balances.

Background

The Financial Services Regulatory Relief Act of 2006, Public Law 109-351, granted Federal Reserve Banks the authority to pay interest on required reserves and excess balances commencing October 1, 2011. Section 128 of the Emergency Economic Stabilization Act of 2008, accelerated the effective date of this new authority to October 1, 2008.

On October 9, 2008, the Board published an interim final rule amending Regulation D, Reserve Requirements of Depository Institutions, to implement the accelerated payment of interest. On November 4, 2008, the Board published a

[1] The Independent Community Bankers of America represents nearly 5,000 community banks of all sizes and charter types throughout the United States and is dedicated exclusively to representing the interests of the community banking industry and the communities and customers we serve. ICBA aggregates the power of its members to provide a voice for community banking interests in Washington, resources to enhance community bank education and marketability, and profitability options to help community banks compete in an ever-changing marketplace.

With nearly 5,000 members, representing more than 20,000 locations nationwide and employing over 300,000 Americans, ICBA members hold $1 trillion in assets, $800 billion in deposits, and $700 billion in loans to consumers, small businesses and the agricultural community. For more information, visit ICBA's website at www.icba.org.

revision to the interim final rule altering the formula for calculating interest payments on excess balances.

ICBA Position

ICBA recognizes the importance of the Federal Reserve System (System) having the necessary tools to implement effective monetary policy. We understand the payment of interest on required reserves and excess balances will further strengthen the System's ability to support financial stability while implementing appropriate monetary policy. We further recognize that the quick implementation of this rule coupled with the unprecedented turmoil and governmental programs implemented to address the turmoil will have negative unintended consequences for some depository institutions. ICBA strongly urges the Board to be mindful of the cumulative impact of the existing environment described above and to new and evolving Federal government programs and to quickly adopt policies to assist affected depository institutions.

Bankers' Banks

The nation's twenty bankers' banks[2] are an example of depository institutions suffering negative unintended consequences. Specifically, bankers' banks are uniquely affected by these developments as they primarily obtain the liquidity necessary to fund their operations from respondents' excess liquidity in the form of "due to" accounts and federal funds.

Bankers' banks are experiencing record outflows from their agency federal funds programs. Some respondents are moving funds to their accounts at Reserve Banks due to safety concerns and the ability to obtain a higher rate of return on their funds. Others are paying down Federal Home Loan Bank advances and/or investing in short-term U.S. Government Securities. Others are leaving excess funds in their bankers' bank "due from" accounts which is particularly problematic for bankers' banks since these accounts are on-balance sheet transactions requiring the appropriate levels of capital. Conversely, agency federal funds program transactions are off-balance sheet transactions and do not require supporting capital. For example, one bankers' bank reports that, over a three-week period of time, its respondents have shifted $200 million from its agency federal funds program to "due to accounts." This bank's agency federal funds program typically averages $700 million, equating to almost a 30 percent decline.

To address this negative unintended consequence, ICBA strongly urges the Board to establish a new type of account, an agency reserve account, that would permit bankers' banks and other correspondent banks to deposit overnight,

[2] The nation's 20 bankers' banks were organized and authorized solely to provide correspondent banking services to community banks, including savings and loan associations. Bankers' banks serve more than 6,000 respondents and are owned primarily by community banks and their holding companies. Unlike other correspondent banks, bankers' banks rely significantly on "due to" accounts and respondent overnight excess funds for liquidity since they have no retail demand deposit or savings accounts.

aggregated respondent excess funds with Reserve Banks and pass back the proportional interest to their respondents. Such an account would be a win-win situation for bankers' banks and other correspondent banks, as well as, their respondents, the Federal Reserve Banks and the Board. Bankers' banks would maintain their source of liquidity and continue their valuable roles in providing correspondent services. Respondent banks would also reap the benefits of having an additional safe and interest-bearing investment option. Reserve Banks would avoid the challenges of gearing up their operational capabilities and customer service resources to support a significant increase in reserve accounts as depository institutions migrate from bankers' banks to Federal Reserve Banks. Finally, such an arrangement would complement the Board's execution of monetary policy by funneling these funds into accounts at Federal Reserve Banks.

Passing Back of Interest to Respondents

The Board is seeking comments on whether it should require, rather than permit, pass-through correspondents to pass back proportional interest earned to respondents. ICBA supports the Board requiring correspondents to pass back proportional interest earned to respondents beginning two years after adoption of the final rule as it would be unfair for correspondents not to share this income. A delayed effective date would provide correspondents the necessary time to modify accounting systems and business models.

Conclusion

Again, ICBA appreciates the opportunity to comment on this interim rule. We strongly urge the Board to expeditiously proceed with the vetting and implementation of the agency reserve account concept and any other potential changes necessary in response to the negative unintended consequence of the accelerated payment of interest on reserves coupled with the severe strains in the financial markets. ICBA also urges the Board to require correspondent banks to pass back interest to respondent banks within two years of the final rule's effective date.

If you have any questions or need additional information, please contact the undersigned by email at viveca.ware@icba.org or by telephone at (202) 659-8111. Thank you.

Sincerely,

/s/

Viveca Y. Ware
Senior Vice President
Payments and Technology Policy

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November 21, 2008

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, DC 20551

Re: Federal Reserve System; 12 CFR Part 204 Reserve Requirements of Depository Institutions; 73 Federal Register 59482, October 9, 2008

Dear Ms. Johnson

On October 6, the Board of Governors (Board) issued an interim final rule authorizing payment of interest on depository institutions' required and excess reserve balances. The interim final rule became effective on October 9, 2008. The American Bankers Association (ABA) has steadfastly supported giving the Federal Reserve authority to pay interest on reserve balances of depository institutions. The inability to pay interest on reserve balances was a tax on depository institutions.

ABA brings together banks of all sizes and charters into one association. ABA works to enhance the competitiveness of the nation's banking industry and strengthen America's economy and communities. Its members – the majority of which are banks with less than $125 million in assets – represent over 95 percent of the industry's $13.3 trillion in assets and employ over 2.2 million men and women.

Background

Section 128 of the Emergency Economic Stabilization Act of 2008 (the Act), enacted on October 3, 2008, accelerated the effective date granting the Federal Reserve Banks authority to pay interest on balances maintained at the Reserve Banks by or on behalf of depository institutions. The Act made this authority effective on October 1, 2008. This authority was originally enacted in Title II of the Financial Services Regulatory Relief Act of 2006 with an effective date of October 1, 2011.[1]

Section 201(a)(12)(A) of the Financial Services Regulatory Relief Act of 2006 (FSRRA) amended the Federal Reserve Act by adding that "balances maintained at a Federal Reserve bank by or on behalf of a depository institution may receive earnings to be paid by the Federal Reserve bank at least once each calendar quarter, at a rate or rates not to exceed the general level of short-term interest rates."

[1] Pub. L. 109-351, 120 Stat. 1966 (Oct. 13, 2006).

The Board made the determination to pay interest on average required reserve balances and average excess balances maintained over the reserve maintenance period. The Board concluded that paying interest on excess balances will permit the Federal Reserve to expand its balance sheet to provide sufficient liquidity to support financial stability. This would also enhance the ability of the Board to implement monetary policy so as to achieve their monetary policy objectives. For example, by paying interest on excess balances, this should help to establish a lower bound on the federal funds rate and, therefore, keep rates in the market close to the targeted rate.

Since announcing that it would pay interest on required and excess reserves, reserve balances held at the Federal Reserve Banks have grown dramatically. The average daily balance of reserves with the Federal Reserve Banks for the two-week period ending October 8 was almost $143.4 billion. For the two week period ending November 5, average daily reserve balances were nearly $377.3 billion. Much of the growth was in excess reserve balances. Excess reserves held with the Federal Reserve Banks went from $136.1 billion to $363.6 billion over the same time interval.

Initially, in implementing Section 201 of FSRRA, the Board established the initial rate of interest for required reserve balances to be the average targeted federal funds rate over the reserve maintenance period[2] less 10 basis points. Setting this rate below the targeted federal funds rate reflects the fact that deposits at the Federal Reserve Banks are considered to be risk-free. The choice of 10 basis points is approximately equal to the average spread between the overnight rate on repurchase agreements secured by general Treasury collateral and the overnight rate on federal funds in recent years but prior to the onset of the current financial turmoil. Additionally, the Board proposed establishing the rate of interest for excess balances to be the lowest targeted federal funds rate during the reserve maintenance period less 75 basis points. The Board believed the rate on excess balances should be set sufficiently low to provide an incentive for eligible institutions to trade funds in excess of required reserve balances and clearing balances in the federal funds market, but to provide a disincentive to trade funds at rates far below the targeted federal funds rate.

However, on October 22, 2008, the Federal Reserve amended the formula for calculating the interest rate, which became effective for the reserve maintenance period beginning on October 23, 2008. The new calculation set the interest rate on excess reserves equal to the lowest Federal Open Market Committee (FOMC) target rate in effect during the reserve maintenance period less 35 basis points. Narrowing the spread between the target funds rate and the rate on excess balances at this time would help foster trading in the funds market at rates closer to the target federal funds rate.

On November 5, the Board further amended the formula for calculating interest on reserves, because of concerns that the federal funds rate continued to trade well below the targeted rate. Therefore, the rate on required reserve balances was set equal to the average target federal funds rate over the reserve maintenance period. The rate on excess balances was set equal to the lowest FOMC target rate in effect during the reserve

[2] A reserve maintenance period is either one week or two weeks in length, generally depending on the size of the institution.

maintenance period. These changes became effective for the maintenance periods beginning Thursday, November 6.

The Federal Reserve's massive injection of liquidity into the financial system could explain why the effective federal funds rate continues to trade well below the targeted federal funds rate. The growth rate of M-1 and the monetary base have accelerated in recent months. For the 13 week period ending October 27, M-1 grew at annualized rate of 14.8 percent. In comparison, M-1 expanded at an annual rate 9.1 percent over the last 26 week period. This rapid growth in the money supply would seem to be inconsistent with the goal of achieving its targeted federal funds rate.

ABA's Comment

ABA strongly supports paying interest on reserves. The inability to pay interest on reserve balances was a tax on depository institutions. This created an incentive for banks to develop programs to minimize their required reserves – a non-earning asset.

However, the implementation of this interim final rule seems to be not optimally timed. The freezing up the credit markets caused the Federal Reserve to rush the implementation of this interim final rule. This has had unintended consequences, especially for bankers banks.

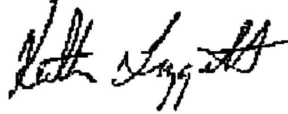
Bankers' banks, which provide valuable services to our nation's community banks, did not have adequate lead time to adapt their business model to the Federal Reserve paying interest on reserves. As pointed out earlier, the original effective date for paying interest on reserves was October 1, 2011. If the original date had remained October 1, 2011, bankers' banks would have had sufficient time to alter their business model. However, the Emergency Economic Stabilization Act of 2008 accelerated the date to October 1, 2008. The Federal Reserve issued its interim final rule on October 6 to start paying interest on October 9. There was little lead time for bankers' banks to prepare for the change. The ramifications for bankers' banks of the Board's action to pay interest on reserves could include a decline in daily liquidity, impairment in contingent funding sources and reduction in sources of revenue.

Moreover, bankers' banks are concerned that the Federal Reserve will become a competitor for federal funds. An unintended consequence of the Board's decision to pay interest on excess reserves may significantly impair the long-term viability of the Agent Fed Funds Programs offered by bankers' banks. The payment of interest on excess balances at a rate pegged to the federal funds target rate, especially at a rate higher than the market effective rate, creates a competitive disadvantage for bankers' banks' agency federal funds programs.

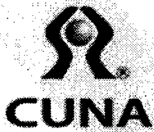
Therefore, ABA encourages the Federal Reserve to take every possible action to limit the impact of its actions to pay interest on reserves on bankers' banks. ABA believes one appropriate action is that the Board should not require pass-through correspondents to pass back interest on behalf of these respondents. Pass-through correspondents and respondents should be allowed to negotiate the structure of the contractual relationship, as a market solution is preferable to a federally imposed requirement.

In conclusion, ABA strongly supports the payment of interest on reserves. ABA does encourage the Federal Reserve to carefully evaluate the unintended consequences associated with the accelerated implementation of this policy.

Sincerely,



Keith Leggett



CUNA
Credit Union National Association
601 Pennsylvania Ave., NW | South Building, Suite 600 | Washington, DC 20004-2601 | Phone: 202-638-5777 | Fax: 202-638-7734
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VIA: EMAIL regs.comments@federalreserve.gov

November 21, 2008

Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW.
Washington, DC 20551

Re: Docket No. R-1307; Reserve Requirements of Depository Institutions

Dear Ms. Johnson:

The Credit Union National Association (CUNA) appreciates the opportunity to comment on the Federal Reserve Board's (Board's) interim rule to pay interest on balances held at the Federal Reserve Banks. By way of background, CUNA is the largest credit union trade organization in this country, representing approximately 90 percent of our nation's 8,200 state and federal credit unions, which serve about 91 million members. This letter was developed under the auspices of CUNA's Payments Policy Subcommittee, chaired by Terry West, President and CEO of VyStar Credit Union in Jacksonville, Florida.

Before addressing the interim rule, CUNA would like to comment on a more general issue regarding reserve requirements. Effective in 2011, the Federal Reserve Board is authorized to reduce reserve requirements on transaction accounts to zero. This is a very positive outcome given the fact that Regulation D reserves are not necessary for monetary policy purposes. In that connection, we urge the Board to begin working with the financial institution sector now on the transition to zero requirements consistent with its statutory authority under the Financial Services Regulatory Relief Act of 2006.

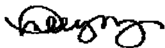
Additionally, we would like to commend the Board for its timely implementation of its statutory authority to pay interest on balances held at the Reserve Banks. This authority was granted in Title II of the Financial

Services Regulatory Relief Act of 2006, with an original effective date of October 1, 2011. The effective date was accelerated to October 1, 2008 in the Emergency Economic Stabilization Act of 2008.

We believe that paying interest on required reserves and excess balances would promote efficiency and stability in the financial services sector. Non-interest bearing reserve accounts provided a disincentive for financial institutions to hold more balances subject to reserve requirements than they otherwise would, which created declining reserves and inefficiencies in the banking system. While reserves may not be required for a successful monetary policy, paying interest on these balances would reduce the expense and resources incurred by financial institutions to reduce the amount in their transaction accounts.

Thank you for the opportunity to express our views on the amendments to the reserve requirements of depository institutions. If you have questions about our letter, please do not hesitate to give Senior Vice President and Deputy General Counsel Mary Dunn or me a call at 202-508-6733.

Sincerely,



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November 21, 2008

By Electronic Mail: regs.comments@federalreserve.gov

Ms. Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, DC 20551

Re: Comments Regarding Docket No. R-1334; Interim Final Rule on Reserve Requirements of Depository Institutions

Dear Ms. Johnson:

The Federal Home Loan Bank of Dallas ("FHLB Dallas") appreciates the opportunity to comment on the Board of Governors of the Federal Reserve System's (the "Board") interim final rule on reserve requirements of depository institutions (the "Interim Rule"), which was published in the Federal Register on October 9, 2008. In the Interim Rule, the Board requested comment on, among other things, whether pass-through correspondents should be required to report to the Federal Reserve the amount or proportion of their excess balances that are held on behalf of respondents, and whether the Board should require, rather than permit, pass-through correspondents to pass back to their respondents the interest payments on balances held on behalf of those respondents. This letter, which does not necessarily reflect the views of the rest of the Federal Home Loan Bank System, addresses those issues.

FHLB Dallas is one of twelve Federal Home Loan Banks (each, individually, an "FHLBank" and collectively, the "FHLBanks") that Congress created in 1932 with the Federal Home Loan Bank Act (the "FHLB Act"). Each FHLBank is a cooperative and is owned by its member financial institutions. Entities eligible for membership in an FHLBank include federally-insured commercial banks, savings banks, savings and loan associations, and credit unions, as well as insurance companies.

FHLB Dallas provides its members with a variety of correspondent banking services. These services include wire transfer services, reserve pass-through services with the applicable Federal Reserve Bank, and settlement services with the Federal Reserve Banks. FHLB Dallas settles ACH items, direct deposits, treasury, tax and loan charges,

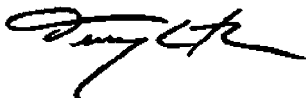
coin and currency, and other transactions conducted with or through any Federal Reserve Bank.

In response to the Board's request for comment on the provision in the Interim Rule that deems all excess balances held in the account of a pass-through correspondent that is not an eligible institution to be held on behalf of that correspondent's respondents, FHLB Dallas encourages the Board to maintain this provision in any applicable final rule. A rule requiring pass-through correspondents to report to the Federal Reserve Banks the proportion of the balances that are held on behalf of respondents could be unnecessarily burdensome on pass-through correspondents. Additionally, as recognized by the Board in the release accompanying the Interim Rule, this provision allows pass-through correspondents and respondents more flexibility in structuring their contractual relationships, including any distribution of earnings attributable to respondent balances. Even if a pass-through correspondent is unable to track the proportion of excess balances that are held on behalf of each of its respondents, the pass-through correspondent can devise its own method of allocating the interest received among its respondents.

For similar reasons, FHLB Dallas suggests that the Board continue to permit, but not require, pass-through correspondents to pass back to their respondents interest paid on reserve balances and excess balances. Requiring pass-through correspondents to pass back interest could interfere with existing contractual relationships and limit the flexibility of pass-through correspondents and respondents in structuring future relationships. As noted above, a pass-through correspondent that is not required to pass back interest can allocate interest among its respondents in a manner determined by the correspondent, even if it cannot determine the specific amount of interest attributable to each respondent's balances.

Thank you for your consideration of our comments.

Sincerely,



Terry Smith
President and CEO

November 17, 2008

Ms. Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th and Constitution Way, NW
Washington, DC 20551
Email: regs.comments@federalreserve.gov

Re: Docket No. R-1334; Interim Final Rule on Regulation D

Dear Ms. Johnson:

Pacific Coast Bankers' Bank ("PCBB") appreciates the opportunity to comment on the Interim Final Rule on the amendments to Regulation D, Reserve Requirements of Depository Institutions, directing Federal Reserve Banks to pay interest on balances held at Reserve Banks.

On October 6, 2008 the Federal Reserve Bank announced the paying of interest on excess reserve balances held on deposit effective October 8, 2008. As a bankers' bank and correspondent bank to over 500 community banks mainly in the 12 District of the Federal Reserve Bank, PCBB provides its respondents the ability to pass through all Federal Reserve Bank activity including Required Reserves for non member banks. In order to maintain our business continuity and practice, PCBB acted quickly to include the pass through of Excess Reserves. While we have been able to be proactive in seamlessly assisting the Federal Reserve Bank system to take corrective market actions at little to no action from the many community banks we serve by passing through off balance sheet Excess Reserves, we have since been required to report these balances as our balances held at the Federal Reserve Bank and to treat these same balances as demand deposits.

We respectfully submit our comments to Docket No. R-1334; Interim Final Rule on Regulation D as follows:

Comment:
Pass Through – Required Reserves

Pacific Coast Bankers' Bank
[illegible]
[illegible]
[illegible]

To allow Federal Reserve Bank Members to pass through Required Reserves to a correspondent bank (currently excluded).

Required Reserves currently are reported on the correspondent's balance sheet and identified on the call report.

Pass Through – Excess Reserves
The current reporting requirements of Excess Reserves is to treat these reserves in the same manner as Required Reserves, there are many mitigating factors where this treatment is neither feasible nor applicable. These reasons include, avoiding the imposition of additional reporting or accounting burdens, impact to regulatory capital, maintaining reserve requirements for excess reserve balances, FDIC insurance assessments coupled with an imposed limit of account coverage, and Daylight overdraft exposure. Further discussion on these factors are as follows:

Impact on Regulatory Capital – Forcing excess reserves on balance sheet for correspondents this would require the correspondent to maintain certain regulatory capital levels to offset the pass through of excess reserves, thus forcing the correspondent to use capital only to support these excess balances. While the excess reserves are zero risk weighted on risk assessment, they are included for total assets and leverage capital. This treatment under utilizes capital of the correspondent and could jeopardize the regulatory levels of the correspondents capital as excess reserves are unplanned balances that change daily and that cannot not be managed under a specific maintenance period.

Reserve Requirements – The interim final rule indicate that excess reserve balances would become demand deposits on the correspondent balances sheet, this treatment would then force the correspondent to report balances as demand deposit balances thus forcing correspondent to maintain required reserves on excess reserve balances actually held at the Federal Reserve Bank for benefit of its respondents.

FDIC Insurance Coverage – The required maintenance of excess reserves on the balance sheet for a correspondent, negates the FDIC insurance coverage of the respondent DDA account from a non interest bearing transaction account to an interest bearing transaction as the correspondent passes through the interest on excess reserves to the respondent. This action will now limits the FDIC coverage to the respondent banks from unlimited to $250,000.00. The very nature of the respondent balances typically exceed the $250,000.00 balance thus creating an unfair treatment and or penalty to correspondent banks

Daylight Overdraft Exposure – With the issues identified above and the lack of consideration for change to Excess Reserves under the interim rules, a correspondent would also be forced to push these excess liquidity balances to the respondents for them to maintain their own Federal Reserve Bank account. This action would create a threat for the correspondents as the exposure of Daylight Overdraft would occur as the correspondent would be settling the respondents Federal Reserve activity without the benefit of the respondents liquidity. This creates a potential for the correspondents core

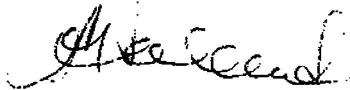
business to be threatened by the Federal Reserve Bank actions under the interim final rules of Regulation D

Comment:
The final rule should deem all or part of pass through excess balances held in the account of a pass – through correspondent to be held on behalf of its respondents. Accordingly, all or part of interest received in excess balances by a pass-through correspondent should be attributable to the excess balances of its respondents and reported as such off balance sheet. These balances can be monitored by the Federal Reserve Bank using the FR2900 Memorandum creating "F2 - Pass Through Excess Reserves". This allows the Federal Reserve Bank to account separately for these balances within the system. There may be a requirement for a correspondent to reflect specifically which institutions these balances are held for, for this purpose we have attached a sample report to be considered. PCBB has these reports available throughout the day and end of day.

Further it could be considered under this ruling that through a tri-party agreement, correspondent, Federal Reserve Bank, and respondent agree that the respondent would be obligated to report balances held on its behalf by the correspondent. This would simplify the implementation of this new option and allow the process to happen again seamlessly.

I am available to discuss any detail of theses comments at any time.

Sincerely,



Tracy Holcomb
Executive Vice President
Chief Operating Officer

Subject: Reserve Requirements of Depository Institutions

Date: Nov 24, 2008

Proposal: Regulation D - Reserve Requirements of Depository Institutions
Document ID: R-1334
Document Version: 1
Release Date: 10/06/2008
Name: JOHN DOE
Affiliation:
Category of Affiliation:
Address:

City: MIDDLETOWN
State: AA
Country: UNITED STATES
Zip:
PostalCode:

Comments:

Paying on excess reserves will kill any liquidity that may spark from this troubled market. Why would a bank take risk in selling FF to anyone when the Government is paying on excess. Not to mention that the Government will single handedly deem a Correspondent/Respondent relationship null and forever void, wiping out the Correspondent business. Pay on required reserve all you want, but you shouldn't be paying on excess.

Subject: Reserve Requirements of Depository Institutions

Date: Dec 02, 2008

Proposal: Regulation D - Reserve Requirements of Depository Institutions
Document ID: R-1334
Document Version: 1
Release Date: 10/06/2008
Name: Andrew T Bell
Affiliation: The Martin Prosperity Institute
Category of Affiliation: Other
Address: Suite 420
101 College St.
City: Toronto
State:
Country: CANADA
Zip:
PostalCode: M5G 1L7

Comments:

Haveing done a significant amount of research on the early unfolding of the crash in September it is apparent that bank reserve were around 5% to 15% before the crash. Contries with institutions who had high reserves, such as India and Brazil, were able to loosen these requirements instead of increasing money supply. I also noticed that banks who needed to 'deleverage' the most were aiming to raise thier capital up to between 8 % and 10 % (countries such as France, the UK, and Sweeden). All of this data is based on the reporting of the Financial Times between Sept. 8, 2008 to October 31, 2008. My personal thoughts, for what they are worth, are that reserve requirements should be gradually raised to 12% - 14% once economic stability is achived. I would also put considerable research resources into the study of money supply and it's relationship with the consumer credit marekts.

Subject: Reserve Requirements of Depository Institutions

Date: Dec 03, 2008

Proposal: Regulation D - Reserve Requirements of Depository Institutions
Document ID: R-1334
Document Version: 1
Release Date: 10/06/2008
Name: Global Alliance
Affiliation:
Category of Affiliation:
Address: global

City: global
State: NY
Country: UNITED STATES
Zip: 12007
PostalCode:

Comments:

GLOBAL ALLIANCE AGAINST IGNORANCE globalallianceagainstignorance@gmail.com THE ORIGINS OF THE GLOBAL FINANCIAL CRISIS OR HOW DEMOCRACIES HAVE TURNED INTO DEBTOCRACIES Low interest rates have produced the global debt financed economic growth bubble that was bound to burst. How the bubbles caused the global financial crisis: Insiders get together or hear of a suitable take-over victim; one after the other launch bids that naturally drive the share price higher often astronomically as the victim apparently refuses the offers made. Enormous leveraged debt financed long positions often far in excess of the actual victim's capitalisation are taken that are unloaded in the market as ever more speculators buy the shares. The insiders know which bid will succeed and they bail out of their positions raking in vast profits for having done nothing but help to bubble the share price. It's like the opposite to a Dutch auction. If the insiders know that the takeover will fail they will sell the stock short from its highs and double their profits. Of course insiders can also drive shares/stocks/commodities/precious metals/forex up and down without the prospect of a takeover by simply spreading rumours in the market and profiting from the lemmings effect. The relationship with the overall economy is cemented by the construction industry that sets out on a building boom of housing, offices, condos, infrastructure that require furniture and furnishings that in turn is connected with the transport industry that is flourishing in the slipstream of the massive trade quantum. As bureaucracy expands commensurately and myriads of new rules, regulations and laws are drawn up the bonanza embraces all the professions including medical practitioners, pharmacists, dentists as the rich diet and wines that accompany all those heavy business lunches cause ever more indigestion etc. As all of this economic growth is debt financed and the sums become ever more astronomical low interest rates are the crucial factor to boost the bubbles. In the ensuing global competition for expansion values become totally distorted. As the financial institutions that have only recently been dealing with millions are now confronted with billions; leveraged exposures went right over the top into trillions. If you have an interest rate of 5% on one trillion that amounts to 50 billion p.a. so if you reduce this to 3% you save a staggering 20 billion. IT THEREFORE IS UNEQUIVOCALLY CLEAR THAT THE FEDERAL RESERVE AND THE CENTRAL BANKS KNOW THAT THEY ARE NOT HELPING THE ORDINARY FOLKS WITH LOW INTEREST RATES - on the contrary they punish them by hitting their savings accounts - THEY HAVE ONLY ONE OBJECTIVE AND THAT IS TO HELP THEIR FELLOW FINANCIAL INSTITUTIONS GET THROUGH THE MESS THEY'VE CREATED WITH THEIR INSANE DEBT FINANCING OF JUST ABOUT EVERY CROOK, SWINDLER AND FRAUDSTER INCLUDING ALL THOSE MUNICIPALITIES; CITY ADMINISTRATIONS; LOCAL AND NATIONAL GOVERNMENTS/DEBTOCRACIES WHO FINANCE THEIR GROWTH SCHEMES ON DEBT THAT IS REPLACED BY MORE DEBT. Nobody ever

asked whether the loans were justifiable. The only criteria that mattered was growth. Sales figures were not just massaged but were fraudulently misrepresented by inclusion of every kind of fictitious forward sales imaginable including sales to own subsidiaries. Nobody ever asked whether these condos, these cellphones, these cars had ever been purchased by an actual user - why bother with such banal details if you can show that you sold millions across the globe to dealers and distributors that you operate and own. Ever more loans were needed to pay for the multi million advertising and marketing campaigns trying to get rid of the stock which was fast becoming obsolete as new models were piling up in the mass-production factories. Housing that already is at least 40% in excess of need in that more people now own two or more properties than ever before became just another stockmarket style trading activity. Buy now sell one year later at the virtually guaranteed 25% plus higher price. A self-generated debt bubble momentum as ever more buyers leapt onto the bandwagon afraid of missing the boat. The buy to let actors got into the market and some very ordinary folks on small incomes saw themselves become property millionaires on paper. No end of low interest policies will straighten out these get rich quick people. Working and Retired people with or without families who bought a house with a mortgage are the real victims of the global financial crisis that a few pennies of the mortgage is not going to remedy because their savings are now being devalued by the Fed and the colluding Central Bankers with ever lower interest rates that benefit only the irresponsible debt junkies who are now being rewarded for their addictive gambling that caused the global financial crisis. Trying to reignite the financial crisis is surely the height of idiocy but that is what the FED and the Central Bankers are trying to do ignoring that the financial crisis was caused by interest rates that were too low. The ultimate example of course is Japan that suffered a massive housing boom bubble more than 20 years ago on the back of low interest rates that drove the Tokyo stockmarket over 30,000. The subsequent zero rate policy to "stimulate" the economy has done nothing for Japan and it will do nothing for the USA or Europe or any other country other than bring back the same old debt junkies for the same old economic growth gambles that only benefit the small horde of scratch my back I'll scratch yours insiders. While the media in between running the usual advertising for more mass-consumption; the political charlatans while pushing for more trade to boost economic growth; the corporate racketeers screaming for lower interest rates to sustain their debt-riddled empires; the environment is ignored or at best given the usual deceptive/empty slogans bearing in mind that the 80 million environmental organisations that have sprung up in the last 50 years have a planet destructive footprint exceeding that of the entire world population of 1950. ALL OF THEM IGNORE THAT ALL MONEY IS MADE FROM ENVIRONMENTAL PLANET DESTRUCTION AND THAT DEBT FINANCES MORE PLANET DESTRUCTION AND THAT LOW INTEREST RATES BOOST THE GLOBAL DEBT BUBBLE THAT CAUSES PLANET DESTRUCTION IN THE FIRST PLACE. They will not stop until Climate Change forces them out of the gambling Casinos. recently published: Public Release: 9-6-2007 www.thinkingmanagers.com a website for business leaders created by Edward de Bono and Robert Heller The Global Leadership Failure A "healthy" global economy that's making the planet sick. When quantum exceeds finite capcity; quantum must be reduced. Over-population and population growth = QUANTUM that fuels economic growth. And economic growth fuels environmental damage to the planet's life support system causing global warming and climate change. Hence the perpetrators of economic growth are Terrorists because they deliberately destroy the interdependent ecological fabric of the planet. Contact: Felix Leisinger globalallianceagainstignorance@gmail.com 0044-207-834-1331 www.equalearth.org Public Release: 22-Oct-2007 Proceedings of the National Academy of Sciences Rise in atmospheric CO2 accelerates as economy grows, natural carbon sinks weaken Human activities are releasing carbon dioxide faster than ever, while the natural processes that normally slow its buildup in the atmosphere appear to be weakening. These conclusions are drawn in a new study in the early online edition of the Proceedings of the National Academy of Sciences, Oct. 22-26. The report states that "together, these effects characterize a carbon cycle that is generating stronger-than-expected climate forcing sooner than expected." Contact: Chris Field cfield@globalecology.stanford.edu 650-462-1047 x201 Carnegie Institution Public Release: 22-Oct-2007 Journal of Geophysical Research - Oceans North Atlantic slows on the uptake of CO2 Further evidence for the decline of the oceans' historical role as an important sink for atmospheric carbon dioxide is supplied by new research by environmental scientists from the University of East Anglia, who have taken measurements for a decade from merchant ships plying the North Atlantic. Contact: Annie Ogden press@uea.ac.uk 44-160-359-2764 University of East Anglia Public Release: 24-Oct-2007 Proceedings of the National Academy of Sciences Decline in uptake of carbon emissions confirmed A decline in the proportion of carbon dioxide emissions absorbed by land and oceans is speeding up the growth of atmospheric CO2, according to a paper published today in the US Journal: Proceedings of the National Academy of Sciences. CSIRO Contact: Dr. Mike Raupach

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