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**M E M O R A N D U M**

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To Our Clients and Friends

Re: Federal Reserve Removes MMDA Withdrawal Restrictions

The Federal Reserve Board has eliminated the restriction that limits automatic and electronic withdrawals from Money Market Deposit Accounts to no more than six per month. The action is effective upon publication in the *Federal Register*. Accordingly, depository institutions may suspend enforcement of the six transfer limit on automatic and electronic withdrawals and allow their customers to make an unlimited number of transfers and withdrawals from their MMDAs. The previous limits on MMDA withdrawals assisted in distinguishing between time deposits, which were not reservable, and transaction accounts which had a positive reserve requirement. The Federal Reserve's recent reduction of reserve requirements on transaction accounts to zero percent eliminated the need for the MMDA withdrawal limitation.

The Federal Reserve also released Frequently Asked Questions that address issues that may arise in connection with its action. The FAQs state that depository institutions are not required to eliminate the restriction and may continue to impose restrictions on MMDA withdrawals. The change also does not affect the requirement that depository institutions reserve the right to require at least seven days' advance notice of withdrawal because the reservation of right continues to be a part of the definition of a savings deposit.

A copy of the Federal Reserve's *Federal Register* notice is available on our website at <http://schwartzandballen.com/news.html>.

For more information, please call Gilbert Schwartz, Robert Ballen, Heidi Wicker, or Victor Razon at (202) 776-0700.