

How EBAs Work

Balances in the EBA are an asset of the participant (member credit union) not the agent (CCU) that manages the account. The FRB pays interest on the average balance in the EBA and the agent disburses that interest to each participant in accordance with the instructions of the participant and the contractual obligation. Only excess balances may be placed in an EBA; the account balance cannot be used to satisfy reserve balances or contractual clearing balance requirements.

Each participant must provide instructions to their agent regarding the handling of the participant's EBA balance. This includes instructions about the distribution of interest, withdrawals from and deposits to the EBA, and the timing of such transactions. EBA balances represent a liability of the FRB to the participant alone, not to the agent. However, the agent is responsible for calculating the interest amount for each EBA participant as well as the disposition of the interest based on the participant's instructions. The agent is solely responsible for any inaccuracy in calculating the participant's excess balance and interest.

Prior to establishing an EBA program, an analysis of the participant's balances is required to identify funds that would be considered "excess" with assumptions and projections with regard to the level of participation and balances likely to convert to EBAs. At a minimum, an EBA program requires the establishment of participant/agent agreements, the development of related policies and procedures for the participant and agent, a system of internal review, a process continuity plan, and a plan for record retention.

A number of CCUs have existing EBA programs. In some cases core payment processing system capabilities are utilized to "sweep" the balances in excess of the established thresholds from the member credit union's account to the EBA account at the FRB. In other cases, CCUs are manually sweeping the excess balances from participants' accounts. In either case, the sweeps are processed near the completion of each business day. Generally, excess balances are returned to the participant's account near the beginning of the following business day, depending upon the instructions of the participant.

Due Diligence Requirements

Before becoming a participant in an EBA program, it is important that each credit union perform an adequate level of due diligence to have a clear understanding of the risks and requirements of the program. The Federal Reserve maintains an EBA resource center available at:

<http://www.frbervices.org/accountservices/eba.html>.

If your credit union is considering being an EBA participant, you should review the information and materials provided by the Federal Reserve and direct any pertinent questions to your CCU.

Sincerely,

/s/

Debbie Matz
Chairman