



## Ohio Revised Code

### Section 1733.31 Reserve accounts - liquidity fund.

Effective: April 14, 2006

Legislation: House Bill 81 - 126th General Assembly

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For purposes of this section, "gross income" means all income, before expenses, earned on risk assets. "Risk assets" shall be defined by rule adopted by the superintendent of credit unions.

Each credit union shall establish and maintain reserves as required by Chapter 1733. of the Revised Code, or by rules adopted by the superintendent, including the following:

(A) Valuation allowances for delinquent loans, investments, other risk assets, and contingencies, which shall be established and maintained pursuant to rules adopted adopted by the superintendent.

(B) A regular reserve as follows:

(1) A credit union in operation for more than four years and having assets of five hundred thousand dollars or more shall reserve ten per cent of its gross income until its regular reserve equals four per cent of its total risk assets. Once the credit union has regular reserves equal to four per cent of its total risk assets, it shall reserve five per cent of its gross income until its regular reserve equals six per cent of its total risk assets.

(2) A credit union in operation for less than four years or having assets of less than five hundred thousand dollars shall reserve ten per cent of its gross income until its regular reserve equals seven and one-half per cent of its total risk assets. Once the credit union has regular reserves equal to seven and one-half per cent of its total risk assets, it shall reserve five per cent of its gross income until its regular reserve equals ten per cent of its total risk assets.

(3) The provision for loan losses, or other such provisions related to the valuation allowances described in division (A) of this section, recorded on the credit union's statement of income for the year shall be deducted from the appropriate regular reserve calculated under division (B)(1) or (2) of this section.



- (4) Once the credit union has closed out its net income or loss to undivided earnings, it may allocate any extraordinary loss for the year, as defined by AICPA APB Opinion No. 30 or by rules as promulgated by the superintendent, to the regular reserve.
- (5) If the regular reserve account becomes less than the percentage required by division (B)(1) or (2) of this section, then the schedule of allocation shall apply until the required percentages are achieved.
- (6) The superintendent may decrease the reserve requirements under division (B)(1) or (2) of this section when, in the superintendent's opinion, a decrease is necessary or desirable and is consistent with the purposes of this section.
- (7) Nothing herein shall prevent the superintendent from requiring a particular credit union or all credit unions to establish a regular reserve in excess of the percentages required by division (B)(1) or (2) of this section if, in the opinion of the superintendent, economic conditions or other appropriate circumstances so warrant.
- (C) Except as otherwise provided in this division, each credit union shall maintain a liquidity fund equal to five per cent of its shares. The assets included in the liquidity fund shall be defined by rule adopted by the superintendent. The superintendent may require a particular credit union or all credit unions to establish a liquidity fund greater than or less than five per cent of total shares, if, in the opinion of the superintendent, economic conditions or other appropriate circumstances so warrant.
- (D)(1) Reserves for corporate credit unions shall be established by the superintendent with due regard for the reserving requirements for corporate credit unions set by the applicable insurer recognized under section 1733.041 of the Revised Code. Specific reserving requirements shall be established by rule of the superintendent, but shall substantially parallel the reserving formula set by the applicable insurer recognized under section 1733.041 of the Revised Code.
- (2) Nothing in division (D)(1) of this section shall prevent the superintendent from requiring a particular corporate credit union or all corporate credit unions to establish a regular reserve in excess of those reserves established pursuant to division (D)(1) of this section if, in the opinion of the superintendent, economic conditions or other appropriate circumstances so warrant.