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

July 19, 2005

To Our Clients and Friends

Re: FDIC Preemption of State Law

At today's meeting of the Board of Directors of the Federal Deposit Insurance Corporation ("FDIC"), the Board discussed an advance notice of proposed rulemaking ("ANPR") to solicit comments on options for addressing The Financial Services Roundtable's Petition for Rulemaking to Preempt Certain State Laws. The Petition had requested that the FDIC adopt rules concerning the interstate activities of insured state banks and their subsidiaries to provide parity between state banks and national banks. Today's meeting followed a public hearing on the Petition held by the FDIC on May 24, 2005.

After considering the proposed ANPR, the Board postponed any action on the matter, requesting instead that FDIC staff undertake a study of the trends of asset migration to the national banking system, and that they draw up a proposed rule for Board consideration.

The ANPR which was not adopted today would have sought comment on different options for addressing the preemption issues raised in the Petition. Each of the options would have preempted host-state law for activities conducted in a host state by a branch of an out-of-state state bank if that host-state law would not apply to the same activity when conducted by a branch of a national bank in the host state.

If you have any questions, please call Gilbert Schwartz, Robert Ballen or Tom Fox at (202) 776-0700.