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M E M O R A N D U M

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To Our Clients and Friends

Re: FRB Proposed Rule Amending Regulations D and I

The Federal Reserve Board has released proposed changes to Regulation D (Reserve Requirements of Depository Institutions) and Regulation I (Issue and Cancellation of Federal Reserve Bank Stock) to implement the requirements of the Financial Services Regulatory Relief Act of 2006. Comments are due 45 days from publication in the *Federal Register*.

Two substantive changes are proposed. The first would authorize member banks, in addition to nonmember banks which already have this authority, to maintain required reserve balances in a pass-through account at a correspondent depository institution. The second substantive proposed change would eliminate the distinction in Regulation D limiting the number of certain kinds of transfers from savings deposits (including money market deposit accounts) to three per month. Instead, all types of transfers and withdrawals from savings deposits that are required to be limited to a certain number per month would be subject to the six-transfer-per-month limit.

The proposed rules also clarify the definitions of “time deposit” and “vault cash” to incorporate the substance of previous Federal Reserve Board staff opinions, reorganize provisions relating to deposit reporting and calculation and maintenance of required reserves, and make technical changes regarding the location of depository institutions for Regulation D reporting and Regulation I membership applications.

A copy of the notice of proposed rulemaking can be found on our web site at http://www.schwartzandballen.com/whats_new.html.

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