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**MEMORANDUM**

July 7, 2011

To Our Clients and Friends

Re: FDIC Rule Permitting Payment of Interest on Demand Deposits

The Federal Deposit Insurance Corporation (“FDIC”) has repealed its rule which prohibits the payment of interest on demand deposits effective July 21, 2011. The action was taken in view of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”), which permits depository institutions to pay interest on demand deposits beginning on that date.

However, because full deposit insurance coverage applies to noninterest-bearing demand deposit accounts through December 31, 2012, the FDIC retained its rules and interpretations regarding what constitutes the payment of interest for purposes of determining whether a demand deposit is noninterest-bearing. The FDIC also indicated that it will continue to rely upon Federal Reserve Regulation Q interpretations for purposes of implementing the unlimited deposit insurance coverage provisions of the Dodd-Frank Act.

A copy of the FDIC’s rule can be found at our website at <http://www.schwartzandballen.com/news.html>

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