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MEMORANDUM

April 6, 2011

To Our Clients and Friends

Re: Federal Reserve Proposal Regarding Regulation Q

The Dodd-Frank Act repeals the prohibition against the payment of interest on demand deposits by depository institutions, effective July 21, 2011. As a result, on that date, banks and other depository institutions may begin paying interest on demand deposits that are maintained by entities such a business organizations that are not currently eligible to maintain NOW Accounts. The Federal Reserve Board is requesting public comment on its elimination of Regulation Q.¹

The Federal Reserve is also asking for comment on the following questions regarding the impact of eliminating Regulation Q:

- Implications for balance sheets and income statements
- Implications for short-term funding markets
- Implications for competitive burden on smaller depository institutions
- Will repeal result in strong demand for interest-bearing demand deposits

Responses to these questions will not affect the fact that beginning July 21, 2011, banks will be authorized to pay interest on demand deposits.

A copy of the Board's proposal 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.

¹ 12 C.F.R. Part 217.