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MEMORANDUM

May 20, 2009

To Our Clients and Friends

Re: Federal Reserve Amendments to Regulation D

The Federal Reserve Board has adopted several amendments to Regulation D, Reserve Requirements of Depository Institutions. The changes permit customers to make six withdrawals per month by check from Money Market Deposit Accounts (“MMDAs”) and authorize depository institutions to establish limited purpose interest-bearing accounts, referred to as “excess balance accounts,” at Federal Reserve Banks. The Board also made significant changes to what constitutes vault cash for purposes satisfying reserve requirements. The amendments are effective July 2, 2009.

WITHDRAWALS BY CHECK FROM MMDAS

Currently, depositors are permitted to make six automatic or preauthorized withdrawals per month from MMDAs. However, no more than three of these types of withdrawals may be by check. The amendment increases the number of withdrawals from MMDAs that may be made by check to six per month. This change is effective immediately.

TIME DEPOSIT OPEN ACCOUNTS (“TDOAs”)

The Board did not adopt a proposed change to the language of the early withdrawal penalty because it would have created confusion as to the continued use of TDOAs in connection with trust departments for trust and agency funds.

VAULT CASH

The Board made substantial changes to what constitutes “vault cash” when cash is held off the institution’s premises. Included in the changes is the requirement that the institution be able to recall the cash from an off-premises location by 10 a.m. and receive it by 4 p.m. the same day at a location at which its depositors may make cash withdrawals.

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Technical changes were also made to several other provisions.

A copy of the Board's amendments can be found on our website at http://www.schwartzandballen.com/whats_new.html.

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