



Federal Deposit Insurance Corporation  
550 17th Street NW, Washington, DC 20429-9990

Financial Institution Letter

FIL-23-2011

April 21, 2011

## Proposed Rule: Amendment to FDIC Rules Reflecting Repeal of Prohibition on Paying Interest on Demand Deposits

**Summary:** The FDIC Board of Directors (Board) has issued a proposed rule amending the FDIC's regulations to reflect a provision in the Dodd-Frank Wall Street Reform and Consumer Protection Act (the DFA) repealing the statutory prohibition against the payment of interest on demand deposits, effective July 21, 2011. The proposed rule applies to all insured state-chartered, nonmember banks. The FDIC welcomes comment on the proposed rule through May 16, 2011.

**Statement of Applicability to Institutions under \$1 Billion in Total Assets:** This Financial Institution Letter applies to all insured state-chartered, nonmember banks including community banks. The proposed transfer of the definition of "interest" to the FDIC's deposit insurance regulations applies to all insured institutions.

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FDIC-Insured Institutions

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Interest On Deposits  
12 C.F.R. Part 329

Deposit Insurance Coverage  
12 C.F.R. Part 330

**Attachment:**

Notice of Proposed Rulemaking

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**Note:**

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**Highlights:**

- Section 627 of the DFA repealed the statutory prohibition against the payment of interest on demand deposits, effective July 21, 2011. To conform its regulations to this DFA provision, the FDIC proposes to rescind 12 CFR Part 329, the regulation that implements the prohibition against paying interest on demand deposits with respect to insured state-chartered, nonmember banks, also effective July 21, 2011.
- A regulatory definition of "interest" will still be useful, however, in interpreting the DFA requirements providing temporary, unlimited deposit insurance coverage for noninterest-bearing transaction accounts.
- The FDIC therefore proposes to also transfer the definition of "interest" currently found at Part 329 to Part 330.
- The FDIC seeks comment on every aspect of this proposed rule.