Treasury Strategies, Inc.
309 W. Washington Street
13th Floor
Chicago, Illinois 60606
t 312.443.0840
f 312.443.0847
61 Broadway
Suite 905
New York, New York 10006
t 212.292.0856
f 212.292.0863
1 Northumberland Avenue
Trafalgar Square
London
WC2 N5BW
Great Britain
t +44 207 872 5551
f +44 207 872 5611
www.TreasuryStrategies.com

For Immediate Release

Contact:
Kyle O'Connor
312-628-6927
Kyle_Oconnor@TreasuryStrategies.com

Interest on Business Checking Moves Closer to Passage in U.S.
Treasury Strategies Client Advisory

June 24, 2010 (Chicago, Illinois) – A provision was approved by the U.S. House and Senate financial reform conferees yesterday, which allows banks to pay interest on business demand deposit accounts for the first time since the Great Depression.

Treasury Strategies has been following Regulation Q for several years. Its most recent incarnation is Rep. Scott Murphy's "Business Checking Fairness Act" which was appended to the Wall Street Reform & Consumer Protection Act of 2009.

"This is an interesting contradiction. A proposed solution to the current crisis is to **allow** interest on business checking, whereas a regulatory outcome of the Great Depression was to **prohibit** such interest," said Anthony Carfang, Partner and Director of Treasury Strategies.

Below is our short synopsis of the issues.

Commercial Banks will face higher cost of funds as they begin paying interest. However, they will be better able to compete for deposits through interest payments and FDIC guarantees under TAG. Higher cost of funds and deposit insurance premiums will probably be recouped through higher fees on transaction services.

"The challenge for banks is to carefully calibrate rate structures and transaction fees such that they attract a customer mix that optimizes their return on capital," said Dave Robertson, Partner and Director of Treasury Strategies.

Fund Companies will face increased rate competition from the banking sector. Their challenge will be to convince customers that the resulting higher banking service charges will offset interest paid. "They will need to position their funds as either yield-enhanced or safer than bank deposits – a task made tougher by recent changes to rule 2a-7 and FDIC insurance," said Robertson.

However, fund companies can point out to regulators that if customers exit funds and move into the banking system, "too big to fail" banks will become even larger.

Corporate Treasurers will need to sort through several changes that will result from the RegQ repeal. In the short run, they will experience a volatile market, characterized by new products, new rate structures and new fees, as well as promotional pricing. Credit worthiness of the institution becomes a larger issue. "It's likely that companies will need to evaluate new and tiered rate structures, earnings credits, transaction fees, deposit insurance pass-thoroughs, short-term investments, and sweep accounts," said Mike Gallanis, a Partner with Treasury Strategies.

These changes will impact companies differently depending on their balance levels, transaction volume, liquidity needs and financial situation.

The outcome of these changes will impact everyone in the financial services industry. To discuss pending regulation and how it will impact your organization, please contact Jill Selgrad at 312-628-6930 or jill_selgrad@TreasuryStrategies.com.

About Treasury Strategies, Inc.
Treasury Strategies, Inc. is the leading Treasury consulting firm working with corporations and financial services providers. Our experience and thought leadership in treasury management, working capital management, liquidity and payments, combined with our comprehensive view of the market, rewards you with a unique perspective, unparalleled insights and actionable solutions. For more information, please visit www.TreasuryStrategies.com.

# # #

Treasury Strategies
The Power of Experience®