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For Immediate Release

Treasury Strategies Encourages the Fed to Reconsider the Repeal of Regulation Q

May 6, 2011 – (Chicago, IL) – The repeal of Regulation Q fails to meet its stated benefits of helping small businesses and community banks according to Treasury Strategies, which today issued a formal comment to the Federal Reserve on the matter.

Regulation Q prohibits the payment of interest on corporate checking accounts. The intended benefits of repealing Regulation Q are twofold: first, to create new jobs and help grow small businesses; second, to improve the ability for community banks to compete for deposits against larger institutions.

In its comment letter to the Fed, Treasury Strategies outlined three reasons why the repeal of Regulation Q would not achieve its intended outcomes. The measure will:

1. Negatively impact small businesses
2. Disadvantage community banks
3. Harm the overall stability of the financial system

"The typical small business holds less than $10,000 in its checking account. A 2% rate, which is generous in today's environment, means they would earn less than $200 per year in interest. Obviously, $200 per year is not enough income for a small business to grow or add new jobs," said Anthony Carfang, partner at Treasury Strategies.

Repealing Regulation Q would also disadvantage community banks. "In a post-Reg Q environment, corporations would be more likely to transfer their checking deposits from bank to bank in search of higher yield. This scenario would introduce greater volatility to a bank's total deposit levels and impair a community bank's ability to meet Basel III capital requirements," said Jacob Nygren, a manager at Treasury Strategies.

The repeal of Regulation Q will also lead to secondary consequences with implications for the overall financial system. "The repeal of Regulation Q will cause deposit volatility, increased concentration of funds in banks, and higher operating costs for both banks and corporations. The impact of these changes will cause significant damage to businesses and banks of all sizes, as well as the stability of the financial system as a whole," says Carfang.

Introduced as *The Business Checking Fairness Act* in November 2009 by Rep. Scott Murphy, the repeal Regulation Q was later inserted as an amendment to the Dodd-Frank Act.

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"Treasury Strategies urges the Federal Reserve to work with Congress to remove the repeal of Regulation Q from the Dodd-Frank Act. Failure to do so could result in damage to the effective operation of the U.S. commercial banking sector and overall economy," said Carfang.

Note to Editors, Reporters: Anthony Carfang and Jacob Nygren are available for commentary on this matter.

About Treasury Strategies, Inc.

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