



Michael P. Smith
President & CEO
New York Bankers Association
99 Park Avenue, 4th Floor
New York, NY 10016-1502
(212) 297-1699/msmith@nyba.com

May 23, 2011

Mr. Sam L. Abram
Secretary of the Banking Board
New York State Banking Department
One State Street
New York, NY 10004-1417

RE: I.D. No. BNK-14-11-00004-P

Dear Mr. Abram:

In response to the notice of proposed rulemaking published in the April 6 New York State Register, the New York Bankers Association is submitting these comments on the repeal of the State-imposed prohibition of the payment of interest on demand deposits. Repeal of the prohibition, concurrent with federal action, is necessary in order to keep State-chartered commercial banks and thrift institutions competitive with national banks and federal savings institutions. Our Association is comprised of the community, regional and money center commercial banks and thrift institutions doing business in the State of New York. Our members hold assets in excess of \$9 trillion and have more than 250,000 New York employees.

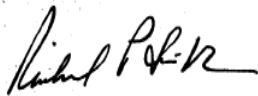
Effective July 21, 2011, section 627 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) will repeal the federal prohibition on the payment of interest on demand deposits. That prohibition currently applies across the board to all nationally and State-chartered depository institutions. As soon as the prohibition is repealed, national banks and federal thrift institutions will be free to begin offering interest-bearing checking accounts. Because Part 20 of the General Regulations of the Banking Board separately imposes a prohibition on the payment of interest on demand deposits on State-chartered banks, trust companies and federally insured branches or agencies of foreign banks, these institutions will be uniquely prohibited from paying interest on checking accounts while their federally chartered competitors will not be so restricted.

Although our Association did not support section 627 of the Dodd-Frank Act, and there is a request for a delay, we agree that the Banking Department needs to take action to enable State-chartered institutions to compete with their federally chartered competitors.

Section 12-A of the Banking Law (the “wild card” statute) sets forth the State’s policy of providing State-chartered banks and thrifts with the powers and authority of their federally chartered counterparts. Repeal of Part 20 of the Banking Board’s regulations is consistent with the State’s public policy and will allow State-chartered institutions to compete for interest-bearing demand deposits with their federal counterparts.

For these reasons, the New York Bankers Association supports the proposed repeal of Part 20 of the Banking Department’s regulations, concurrent with final action.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael P. Smith". The signature is fluid and cursive, with the first name "Michael" being the most prominent.

Michael P. Smith