

From: Russ Smith
Subject: Reg D, Q, & DD

Comments:

Dear Ms. Johnson,

Our demand deposit base is probably the most important aspect of our success so we have worked very hard to build it and our strategy and business plan project a continuation of that effort. Paying interest on demand deposits will increase the level of our expenses and negatively impact our profit margins. Finally, interest on checking will add interest rate risk to our balance sheet as more interest sensitive instruments will likely need to be used to offset the loss of demand deposits because we won't be able to compete with the big banks in this new arena.

We small community banks are intimately familiar with the safety and soundness ramifications of all of the above. Surely you can appreciate the potential shock to the system that may be caused by this change. I urge you to repeal Section 627 of the Dodd-Frank Act.

Russell J. Smith
Pacific Enterprise Bank