

Federal Reserve Bank of San Francisco
101 Market Street, San Francisco, California 94105

April 8, 2011

To State Member Banks, Bank
Holding Companies, Financial Holding
Companies, and Foreign Bank Offices
in the Twelfth Federal Reserve District

Federal Reserve Seeks Comment on Proposed Rule to Repeal Regulation Q, Which Prohibits the Payment of Interest on Demand Deposits

The Federal Reserve Board on April 6, 2011 requested comment on a proposed rule to repeal the Board's Regulation Q, which prohibits the payment of interest on demand deposits by institutions that are member banks of the Federal Reserve System.

The proposed rule would implement Section 627 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which repeals Section 19(i) of the Federal Reserve Act in its entirety effective July 21, 2011. The repeal of that section of the Federal Reserve Act on that date eliminates the statutory authority under which the Board established Regulation Q.

The proposed rule would also repeal the Board's published interpretation of Regulation Q and would remove references to Regulation Q found in the Board's other regulations, interpretations, and commentary.

The Board is seeking comment on whether the repeal of Regulation Q is expected to have implications for balance sheets and income of depository institutions, short-term funding markets such as overnight federal funds market, the demand for interest-bearing demand deposits, and competitive burden on smaller depository institutions.

Comments on the proposal must be submitted within 30 days from the date of publication in the *Federal Register*, which is expected shortly.

Additional Information

All circulars and documents are available on the Internet through the Federal Reserve Bank of San Francisco's website, at <http://www.frbsf.org/banking/letters>.

For additional information, please contact:

Federal Reserve Bank of San Francisco
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Attachment: [Notice of Proposed Rule Making \(25 KB PDF\)](#)