

# Proposed Rules

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This section of the FEDERAL REGISTER contains notices to the public of the proposed issuance of rules and regulations. The purpose of these notices is to give interested persons an opportunity to participate in the rule making prior to the adoption of the final rules.

## FEDERAL RESERVE SYSTEM

### 12 CFR Parts 204, 217, and 230

[Regulations D, Q, and DD; Docket No. R-1413]

RIN No. 7100-AD72

#### Prohibition Against Payment of Interest on Demand Deposits

**AGENCY:** Board of Governors of the Federal Reserve System.

**ACTION:** Notice of proposed rulemaking; request for public comment.

**SUMMARY:** The Board is requesting public comment on proposed amendments that would repeal Regulation Q, Prohibition Against Payment of Interest on Demand Deposits, effective July 21, 2011. Regulation Q implements the statutory prohibition against payment of interest on demand deposits by institutions that are member banks of the Federal Reserve System set forth in Section 19(i) of the Federal Reserve Act ("Act"). Section 627 of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") repeals Section 19(i) of the Federal Reserve Act effective July 21, 2011. The proposed amendments implement the Dodd-Frank Act's repeal of Section 19(i). The proposed amendments would also repeal the Board's published interpretation of Regulation Q. The proposed amendments also remove references to Regulation Q found in the Board's other regulations, interpretations, and commentary.

**DATES:** Comments must be submitted by May 16, 2011.

**ADDRESSES:** You may submit comments, identified by Docket No. R-1413 and RIN No. 7100-AD60, by any of the following methods:

*Agency Web site:* <http://www.federalreserve.gov>. Follow the instructions for submitting comments at <http://www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm>.

*Federal eRulemaking Portal:* <http://www.regulations.gov>. Follow the instructions for submitting comments.

*E-mail:* [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov). Include the docket number in the subject line of the message.

*Fax:* (202) 452-3819 or (202) 452-3102.

*Mail:* Jennifer J. Johnson, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, NW., Washington, DC 20551.

All public comments are available from the Board's Web site at <http://www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm> as submitted, unless modified for technical reasons. Accordingly, your comments will not be edited to remove any identifying or contact information.

Public comments may also be viewed electronically or in paper in Room MP-500 of the Board's Martin Building (20th and C Streets, NW.) between 9 a.m. and 5 p.m. on weekdays.

**FOR FURTHER INFORMATION CONTACT:** Sophia H. Allison, Senior Counsel (202/452-3565), Legal Division, or Joshua S. Louria, Financial Analyst (202/263-4885), Division of Monetary Affairs; for users of Telecommunications Device for the Deaf (TDD) only, contact (202/263-4869); Board of Governors of the Federal Reserve System, 20th and C Streets, NW., Washington, DC 20551.

#### SUPPLEMENTARY INFORMATION:

##### I. Prohibition Against Payment of Interest on Demand Deposits

Section 19(i) of the Federal Reserve Act ("Act") (12 U.S.C. 371a) generally provides that no member bank "shall, directly or indirectly, by any device whatsoever, pay any interest on any deposit which is payable on demand \* \* \*." Section 19(i) was added to the Act by Section 11 of the Banking Act of 1933 (48 Stat. 162, 181). Section 324 of the Banking Act of 1935 (49 Stat. 684, 714) amended Section 19(a) of the Act to authorize the Board, "for the purposes of this section, to define the terms "demand deposits", "gross demand deposits," "deposits payable on demand" [and] to determine what shall be deemed to be a payment of interest, and to prescribe such rules and regulations as it may deem necessary to effectuate the purposes of this section and prevent evasions thereof \* \* \*."

The Board promulgated Regulation Q on August 29, 1933 to implement Section 19(i) of the Act. In the past, Regulation Q also contained provisions implementing then-current statutory provisions regulating the rates of interest payable on various types of interest-bearing deposits. The Depository Institutions Deregulation Act of 1982 phased out these statutory interest rate limitations effective in March 1986. After that time, Regulation Q consisted primarily or exclusively of provisions related to implementing Section 19(i)'s prohibition of the payment of interest on demand deposits by member banks.

Section 627 of the Dodd-Frank Act repeals Section 19(i) of the Act in its entirety, effective one year from the date of enactment. Accordingly, the Board will no longer have statutory authority to promulgate Regulation Q effective July 21, 2011. The Board therefore proposes to repeal Regulation Q, effective July 21, 2011. For the same reason, the Board proposes to repeal its published interpretation of Regulation Q currently set forth at 12 CFR 217.101 (Premiums on deposits). The Board is proposing a conforming technical amendment to section 204.10 of Regulation D, 12 CFR part 204, to eliminate references to Regulation Q. The Board is also proposing conforming technical amendments to the official staff commentary to Regulation DD, 12 CFR part 230. Specifically, comments 230.2(n)-1 and 230.7(a)(1)-5 would be revised to eliminate references to the definition of "interest" in Regulation Q.

The Dodd-Frank Act did not repeal the Board's authority under Section 19(a) of the Act to "determine what shall be deemed to be a payment of interest." The Board believes, however, that the primary reason for this authority was to enforce Section 19(i)'s prohibition of the payment of interest on demand deposits. Accordingly, the Board believes that there will be no reason to retain the definition of "interest" in Regulation Q following the repeal of Section 19(i). The Board recognizes that there may be other laws or regulations that currently refer to Regulation Q or that incorporate the definition of "interest" currently set forth in Section 217.2(d) of Regulation Q. The Board believes, however, that such other laws and regulations can substantively incorporate the Regulation Q definition

of “interest” at any time if necessary, or can delete references to Regulation Q that will be obsolete after July 21, 2011. Accordingly, the Board does not propose retaining the definition of “interest” currently set forth in Regulation Q.

The Board seeks comments on all aspects of the proposal. In addition, the Board specifically seeks comments on the following:

1. Does the repeal of Regulation Q have significant implications for the balance sheets and income of depository institutions? What are the anticipated effects on bank profits, on the allocation of deposit liabilities among product offerings, and on the rates offered and fees assessed on demand deposits, sweep accounts, and compensating balance arrangements?

2. Does the repeal of Regulation Q have any implications for short-term funding markets such as the overnight federal funds market and Eurodollar markets, or for institutions such as institution-only money market mutual funds that are active investors in short-term funding markets?

3. Is the repeal of Regulation Q likely to result in strong demand for interest-bearing demand deposits?

4. Does the repeal of Regulation Q have any implications for competitive burden on smaller depository institutions?

## II. Form of Comment Letters

Comment letters should refer to Docket No. R-1413 and RIN No. 7100-AD70 and, when possible, should use a standard typeface with a font size of 10 or 12; this will enable the Board to convert text submitted in paper form to machine-readable form through electronic scanning, and will facilitate automated retrieval of comments for review. Comments may be mailed electronically to [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov).

## III. Initial Regulatory Flexibility Analysis

In accordance with Section 3(a) of the Regulatory Flexibility Act, 5 U.S.C. 601 *et seq.* (RFA), the Board has reviewed the proposed amendments to Regulation Q. A final regulatory flexibility analysis will be conducted after consideration of comments received during the public comment period.

1. *Statement of the objectives of the proposal.* The Board is proposing to repeal Regulation Q, which implements the statutory prohibition set forth in Section 19(i) of the Act, effective July 21, 2011. The proposed repeal implements Section 627 of the Dodd-

Frank Act, which repeals Section 19(i) of the Act effective July 21, 2011.

2. *Small entities affected by the proposal.* The proposal would affect all member banks of the Federal Reserve System, regardless of size, that hold demand deposits. The proposal would permit, but not require, member banks to pay interest on demand deposits maintained at those institutions. As such, the Board expects that the proposal would have a positive impact on such entities because it would eliminate an obsolete regulatory provision and because member banks are not obligated to offer interest-bearing demand deposits following the repeal of Regulation Q. The Board is requesting comment on whether the repeal of Regulation Q has any implications for competitive burden on smaller member banks.

3. *Other federal rules.* The Board believes that no federal rules duplicate, overlap, or conflict with the proposed amendments to Regulation Q.

4. *Significant alternatives to the proposed revisions.* The Board welcomes comment on any significant alternatives that would minimize the impact of the proposal on small entities.

## IV. Paperwork Reduction Act Analysis

In accordance with the Paperwork Reduction Act (PRA) of 1995 (44 U.S.C. 3506; 5 CFR Part 1320 Appendix A.1), the Board reviewed the proposed rule under the authority delegated to the Board by the Office of Management and Budget (OMB). The proposed rule contains no requirements subject to the PRA.

### List of Subjects

#### 12 CFR Part 204

Banks, banking, Reporting and recordkeeping requirements.

#### 12 CFR Part 217

Banks, banking, Reporting and recordkeeping requirements.

#### 12 CFR Part 230

Advertising, Banks, Banking, Consumer protection, Reporting and recordkeeping requirements, Truth in savings.

For the reasons set forth in the preamble, under the authority of section 627 of Public Law 111-203, 124 Stat. 1376 (July 21, 2010), the Board is proposing to amend 12 CFR parts 204, 217, and 230 to read as follows:

## PART 204—RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS

1. The authority citation for part 204 is amended to read as follows:

**Authority:** 12 U.S.C. 248(a), 248(c), 461, 601, 611, and 3105.

2. In § 204.10—*Payment of interest on balances*, paragraph (c) is revised to read as follows:

### § 204.10 Payment of interest on balances.

\* \* \* \* \*

(c) *Pass-through balances.* A pass-through correspondent that is an eligible institution may pass back to its respondent interest paid on balances held on behalf of that respondent. In the case of balances held by a pass-through correspondent that is not an eligible institution, a Reserve Bank shall pay interest only on the required reserve balances held on behalf of one or more respondents, and the correspondent shall pass back to its respondents interest paid on balances in the correspondent's account.

\* \* \* \* \*

## PART 217—PROHIBITION AGAINST PAYMENT OF INTEREST ON DEMAND DEPOSITS (REGULATION Q)

3. Part 217 is removed and reserved.

## PART 230—TRUTH IN SAVINGS (REGULATION DD)

### Supplement I to Part 230—Official Staff Interpretations

4. The authority citation for part 230 continues to read as follows:

**Authority:** 12 U.S.C. 4301 *et seq.*

5. In Supplement I to Part 230: A. Under *Section 230.2—Definitions, paragraph (n) Interest*, is revised.

B. Under *Section 230.7—Payment of interest, subsection (a)(1) Permissible methods*, paragraph(5) is revised.

The revisions read as follows:

### Supplement I to Part 230—Official Staff Interpretations

#### Section 230.2 Definitions (n) Interest

1. *Relation to bonuses.* Bonuses are not interest for purposes of this regulation.

\* \* \* \* \*

#### Section 230.7 Payment of interest (a)(1) Permissible methods

\* \* \* \* \*

5. *Maturity of time accounts.* Institutions are not required to pay interest after time accounts mature. Examples include:

\* \* \* \* \*

By order of the Board of Governors of the Federal Reserve System, acting through the

Secretary under delegated authority, April 8, 2011.

Jennifer J. Johnson,  
Secretary of the Board.

[FR Doc. 2011-9002 Filed 4-13-11; 8:45 am]

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## DEPARTMENT OF TRANSPORTATION

### Federal Aviation Administration

#### 14 CFR Part 39

[Docket No. FAA-2011-0360; Directorate Identifier 2010-CE-061-AD]

RIN 2120-AA64

#### Airworthiness Directives; Univair Aircraft Corporation Models (ERCO) 415-C, 415-CD, 415-D, E, G; (Forney) F-1 and F-1A; (Alon) A-2 and A2-A; and (Mooney) M10 Airplanes

**AGENCY:** Federal Aviation Administration (FAA), DOT.

**ACTION:** Notice of proposed rulemaking (NPRM).

**SUMMARY:** We propose to supersede an existing airworthiness directive (AD) that applies to Univair Aircraft Corporation Models (ERCO) 415-C, 415-CD, 415-D, E, G; (Forney) F-1 and F-1A; (Alon) A-2 and A2-A; and (Mooney) M10 Airplanes. The existing AD currently requires an inspection of the aileron balance assembly and ailerons for cracks and excessive looseness of associated parts with the required repair or replacement of defective parts as necessary. Since we issued that AD, we received a report of a Univair Aircraft Corporation Model ERCO 415-D Ercoupe that crashed after an in-flight breakup due to possible aileron flutter. This proposed AD would add airplanes to the Applicability section and require inspections of the ailerons, inspections of the aileron balance assembly and aileron rigging for looseness or wear with a required repair or replacement of parts as necessary, and a reporting of the inspection results. We are issuing this proposed AD to prevent failure of the aileron assembly and associated parts, which could result in loss of control.

**DATES:** We must receive comments on this proposed AD by May 31, 2011.

**ADDRESSES:** You may send comments by any of the following methods:

- *Federal eRulemaking Portal:* Go to <http://www.regulations.gov>. Follow the instructions for submitting comments.
- *Fax:* 202-493-2251.
- *Mail:* U.S. Department of Transportation, Docket Operations, M-

30, West Building Ground Floor, Room W12-140, 1200 New Jersey Avenue, SE., Washington, DC 20590.

• *Hand Delivery:* Deliver to Mail address above between 9 a.m. and 5 p.m., Monday through Friday, except Federal holidays.

For service information identified in this AD, contact Univair Aircraft Corporation, 2500 Himalaya Road, Aurora, Colorado 80011; telephone: 303-375-8882, fax: 303 375-8888; Internet: <http://univairparts.com>. You may review copies of the referenced service information at the FAA, Small Airplane Directorate, 901 Locust, Kansas City, Missouri 64106. For information on the availability of this material at the FAA, call 816-329-4148.

#### Examining the AD Docket

You may examine the AD docket on the Internet at <http://www.regulations.gov>; or in person at the Docket Management Facility between 9 a.m. and 5 p.m., Monday through Friday, except Federal holidays. The AD docket contains this proposed AD, the regulatory evaluation, any comments received, and other information. The street address for the Docket Office (phone: 800-647-5527) is in the **ADDRESSES** section. Comments will be available in the AD docket shortly after receipt.

**FOR FURTHER INFORMATION CONTACT:** Roger Caldwell, Aerospace Engineer, FAA, Denver Aircraft Certification Office, 26805 East 68th Ave., Room 214, Denver, Colorado 80249-6361; telephone: (303) 342-1086; fax: (303) 342-1088; e-mail: [roger.caldwell@faa.gov](mailto:roger.caldwell@faa.gov).

#### SUPPLEMENTARY INFORMATION:

##### Comments Invited

We invite you to send any written relevant data, views, or arguments about this proposed AD. Send your comments to an address listed under the **ADDRESSES** section. Include "Docket No. FAA-2011-0360; Directorate Identifier 2010-CE-061-AD" at the beginning of your comments. We specifically invite comments on the overall regulatory, economic, environmental, and energy aspects of this proposed AD. We will consider all comments received by the closing date and may amend this proposed AD because of those comments.

We will post all comments we receive, without change, to <http://www.regulations.gov>, including any personal information you provide. We will also post a report summarizing each substantive verbal contact we receive about this proposed AD.

#### Discussion

We issued AD 52-02-02 (21 FR 9447, December 4, 1956) for Ercoupe Model 415 Series and Models E and G Airplanes. That AD requires an initial and repetitive inspection of the aileron balance assembly, including the aileron hinges, screws and control system, the ailerons for cracks in support structure and skin, and the repair or replacement of damaged parts. That AD resulted from several Ercoupe accidents. We issued that AD as a precautionary measure.

#### Actions Since Existing AD Was Issued

Since we issued AD 52-02-02, we received a report of a Univair Aircraft Corporation Model ERCO 415-D Ercoupe that crashed after an in-flight breakup. Witnesses of the accident noted that while the airplane was banking both ailerons were "fluttering" at a high frequency, and as the bank angle of the airplane increased to almost 90 degrees, the left wing of the airplane "folded back" and separated from the fuselage. We have received nine other documented cases of structural failures of the wing and associated components of the airframe.

There are several Univair airplane models that have similar type design to that of above-referenced incidents, are not part of the compliance of AD 52-02-02, and should be subjected to the requirements of AD 52-02-02.

#### Relevant Service Information

We reviewed Ercoupe Service Memorandum Nos. 35, 56, and 57 (all not dated). The Ercoupe Service Memorandum No. 35 describes procedures for use in rigging or making adjustments to the rigging. The Ercoupe Service Memorandum No. 56 describes procedures for the inspection of control surfaces for cracks and excessive play and checking controls for excessive movement. The Ercoupe Service Memorandum No. 57 describes procedures for aileron balance weight inspection and removal.

#### FAA's Determination

We are proposing this AD because we evaluated all the relevant information and determined the unsafe condition described previously is likely to exist or develop in other products of the same type design.

#### Proposed AD Requirements

This proposed AD would add airplanes to the Applicability section of AD 52-02-02 and require inspections of the ailerons, add airplanes to the Applicability section, add repetitive inspections of the aileron bell crank and