

MEMO# 25094

April 13, 2011

Federal Reserve Board Proposes Rule to Repeal Regulation Q

[25094]

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TO: MONEY MARKET FUNDS ADVISORY COMMITTEE No. 23-11
MUNICIPAL SECURITIES ADVISORY COMMITTEE No. 20-11
SEC RULES COMMITTEE No. 33-11 RE: FEDERAL RESERVE BOARD PROPOSES RULE TO
REPEAL REGULATION Q

The Federal Reserve Board is requesting comments 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. [\[1\]](#) 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, effective July 21, 2011. The proposed rule also would repeal the Board's published interpretation of Regulation Q and would remove references to Regulation Q found in the Board's regulations, interpretations, and commentary.

The Board is seeking comment on whether the repeal of Regulation Q is expected to have implications for, among other things, short-term funding markets such as the overnight federal funds market and Eurodollar markets, or "institution-only" money market funds that are active investors in short-term funding markets. Comments are due 30 days after the date of publication in the Federal Register.

Jane G. Heinrichs
Senior Associate Counsel

endnotes

[\[1\]](#) See Prohibition Against Paying of Interest on Demand Deposits, Federal Reserve Board, Docket No. R-1413, RIN No. 7100-AD72 (April 5, 2011), which is available on the Board's website at <http://www.federalreserve.gov/newsevents/press/bcreg/bcreg20110406a1.pdf>

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