FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 81-70
April 8, 1981

TITLE 12 - CHAPTER XII - INTEREST ON DEPOSITS

Changes in the Effective Dates of 2 1/2 Year or More
Small Saver Certificates and 26-Week Money Market Certificates

Proposals to Provide for the Phaseout of Interest Rate Ceilings

TO ALL MEMBER BANKS
AND OTHERS CONCERNED IN THE
ELEVENTH FEDERAL RESERVE DISTRICT:

The Depository Institutions Deregulation Committee has announced two proposals designed to implement the orderly phaseout of deposit rate ceilings for federally insured depository institutions. Also, the Committee made final a rule to make new ceiling rates established for the 26-week money market certificate and the small saver certificate effective the day following their announcement. The changes are summarized as follows:

1. Proposal - The Committee is requesting comment on a proposal to remove the maximum interest rate ceiling on 2 1/2 year small saver certificates which currently is 12.00 percent for thrift institutions and 11.75 percent for commercial banks. The ceiling rate of interest payable on the small saver certificate is tied to the average 2 1/2 year yield for United States Treasury securities as determined bi-weekly by the United States Treasury. The change would allow the interest rate ceiling to be higher when the average yield on 2 1/2 year Treasury securities exceeds 12.00 percent. The minimum interest rate ceiling on small saver certificates, currently 9.50 percent for thrift institutions and 9.25 percent for commercial banks, would not be affected by the proposal. Depository institutions would continue to be able to pay interest at rates lower than the ceiling maximum. The Committee has asked for comment on this proposal by May 1, 1981 and is particularly interested in comments regarding the effect this action may have on the flow of funds to depository institutions, on the earnings position of institutions, and on the rates of return available to depositors.

2. Proposal - The Committee has asked for comment on a proposal to implement the phaseout of deposit rate ceilings by establishing a schedule for eliminating rate ceilings based on the length of maturity of deposits. The Committee proposes to implement this action according to the following schedule:

Banks and others are encouraged to use the following incoming WATS numbers in contacting this Bank: 1-800-442-7140 (intrastate) and 1-800-527-9200 (interstate). For calls placed locally, please use 651 plus the extension referred to above.

Maturity of Deposits for Which
Rate Ceilings Would be Eliminated

Date	
July 1, 1981	5 years or more
July 1, 1982	4 to 5 years
July 1, 1983	2 to 4 years
July 1, 1984	1 to 2 years
July 1, 1985	6 months to 1 year
April 1, 1986	no ceilings (as required by statute)

The Committee will also consider comment concerning deregulation by means of indexing ceiling rates to market rates according to this schedule. The Committee asked for comment by May 1, 1981, regarding this proposal.

3. Final Rule - Effective April 7, 1981, the Committee has amended its rules to reduce the period between the announcement and the effective date of the ceiling rates of interest payable on the 26-week money market certificate (MMC) and on the 2 1/2 year or more small saver certificate (SSC). Under the revised rules, the ceiling rates of interest payable on MMCs and SSCs will become effective on the day after they are announced. Ceiling rates for such deposits normally are announced on Monday and, thus, normally will be effective on Tuesday rather than on Thursday as under the present rules. The rate announced on Monday, April 6, for the MMC, will become effective Tuesday, April 7, under the new rule. The rate announced for the SSC on Monday, April 13, will be effective on Tuesday, April 14, under the new rule. All rates subsequently announced for the MMC or the SSC will be effective the day after announcement. The Committee took this action to link the rates on these deposits more closely to market rates and has said it would reconsider the matter if severe operational problems emerge.

Enclosed are copies of a press release and Federal Register notice which should be kept by member banks in the Regulation Q section of their Regulations binders.

Questions concerning the actions taken should be directed to the Consumer Affairs section of the Bank Supervision and Regulations Department, Ext. 6171.

Sincerely yours,

William H. Wallace

First Vice President

Enclosures

DEPOSITORY INSTITUTIONS DEREGULATION COMMITTEE PRESS RELEASE

COMPTROLLER OF THE CURRENCY FEDERAL DEPOSIT INSURANCE CORPORATION FEDERAL HOME LOAN BANK BOARD
FEDERAL RESERVE BOARD NATIONAL CREDIT UNION ADMINISTRATION TREASURY DEPARTMENT

For immediate release March 31, 1981

The Depository Institutions Deregulation Committee, established by Congress to bring about an orderly phase-out of interest rate ceilings on deposits, proposed taking two steps in that direction at its meeting March 26.

The Committee requested comment by May 1 on the two following proposals:

1. To remove the present 12 and 11 3/4 percent cap on the maximum interest rate ceiling that applies to Small Saver Certificates offered by thrift institutions and banks respectively. The Small Saver Certificate is a certificate of deposit with a maturity of 2 1/2 years or more. The rate ceiling on this category would continue to be tied to the 2 1/2 year yield on U.S. Treasury securities.

2. To establish the following schedule for deregulating deposit rate ceilings generally, by eliminating rate ceilings on deposits of certain maturities:

   July 1, 1981 -- Deposits with maturities of five years or more;
   July 1, 1982 -- Deposits with maturities of four to five years;
   July 1, 1983 -- Deposits with maturities of two to four years;
   July 1, 1984 -- Deposits with maturities of one to two years;
   July 1, 1985 -- Deposits with maturities of six months to one year;
   April 1, 1986 -- Elimination of all remaining ceilings (as required by law).

The Committee said it would also consider comment concerning deregulation by means of indexing ceiling rates to market rates according to this schedule.

Subjects on which the Committee would particularly like to receive comment are listed on Pages Three and Six of the attached notice of those proposals.

In another action the Committee amended it rules to make new ceiling rates established for the six-month Money Market Certificate and the Small Saver Certificate

(OVER)

effective the day following their announcement. At present, there is normally a two-day delay (from announcement on Monday to the effective date on Thursday).

This will work as follows:

The rates announced Monday, March 30, for both the Money Market Certificate and the Small Saver Certificate remained subject to the existing rule and become effective on Thursday, April 2.

The rate announced on Monday, April 6, for the MMC, will become effective Tuesday, April 7, under the new rule.

The rate announced (on the bi-weekly schedule of announcements of SSC rates) for the SSC on Monday, April 13, will be effective on Tuesday, April 14, under the new rule.

All rates subsequently announced for the MMC or the SSC will be effective the day after announcement.

The Committee took this action to link the rates on these deposits more closely to market rates. It said it would reconsider the matter if severe operational problems emerged. The Committee acted after consideration of comment received on proposals, announced last December, for changes in the Committee's rules regarding the effective date of newly announced ceiling rates for the MMC and the SSC. The comment received is summarized in the attached notice of the Committee's action.

The Committee considered but took no action on proposals before it relating to penalty-free early withdrawal of funds from time deposits in the event of the bankruptcy of the depositor, the Committee's rule regarding the phase-out of finders fees and the ceiling rates on regular savings accounts and interest bearing transaction accounts.

The Committee elected Secretary of the Treasury Donald T. Regan to succeed Federal Reserve Board Chairman Paul A. Volcker as Chairman of DIDC. The members of the Committee are the heads of the agencies listed at the top of Page One.

The Committee will announce the date of its next meeting at a later time.

Attachment

TITLE 12--BANKS AND BANKING

CHAPTER XII--DEPOSITORY INSTITUTIONS DEREGULATION COMMITTEE

[Docket No. D-0016]

PART 1204--INTEREST ON DEPOSITS

Effective Date of Ceiling Rates on MMCs and SSCs

AGENCY: Depository Institutions Deregulation Committee.

ACTION: Final rules.

SUMMARY: The Depository Institutions Deregulation Committee ("Committee") has amended its rules to reduce the period between the announcement and the effective date of the ceiling rates of interest payable on the 26-week money market certificate (MMC) and on the 2-1/2 year or more small saver certificate (SSC). Under the revised rules, the ceiling rates of interest payable on MMCs and SSCs will become effective on the day after they are announced. Ceiling rates for such deposits normally are announced on Monday and, thus, normally will be effective on Tuesday rather than on Thursday as under the present rules. This action was taken by the Committee in order to more closely link the ceiling rates of interest payable on MMCs and SSCs with current market rates.

EFFECTIVE DATE: April 7, 1981.

FOR FURTHER INFORMATION CONTACT: F. Douglas Birdzell, Counsel, Federal Deposit Insurance Corporation (202/389-4261), Paul S. Pilecki, Senior Attorney, Board of Governors of the Federal Reserve System (202/452-3281), Allan Schott, Attorney-Advisor, Treasury Department (202/566-6798), Rebecca Laird, Senior Associate General Counsel, Federal Home Loan Bank Board (202/377-6446), or David Ansell, Attorney, Office of the Comptroller of the Currency (202/447-1880).

SUPPLEMENTARY INFORMATION: The ceiling rate of interest payable on MMCs is tied to the discount rate (auction average) on the most recently issued 26-week United States Treasury bills. Such bills normally are auctioned on Monday and, under current rules, the ceiling rate of interest based on the discount rate (auction average) is effective on the following Thursday, the day on which the Treasury bills normally are issued. This ceiling rate is effective until the next issuance of 26-week United States Treasury bills. The ceiling rate of interest payable on SSCs is tied to the average 2-1/2 year yield for United States Treasury securities as determined bi-weekly by the United States Treasury.

Such average yield normally is announced by Treasury on Monday (based on the average 2-1/2 year yield for the five business days ending on the day of announcement) and, under current rules, the ceiling rates based on their average 2-1/2 year yield are effective for a two-week period beginning on the following Thursday.

On December 19, 1980, the Committee issued for public comment proposed rules under which the ceiling rates announced on Monday would be effective for new MMCs or SSCs issued beginning on the following Tuesday or Wednesday rather than on the following Thursday (45 Fed. Reg. 85059 (1980)). Over 400 comments from the public, including depository institutions, individuals, trade associations, and federal instrumentalities, were received by the Committee on the proposal. Comments of a majority of depository institutions and trade associations favored changing the Thursday date to either Tuesday or Wednesday, while other commentators favored retention of the Thursday effective date. Those favoring a change in the effective date cited the potential for decreasing earnings pressures on and smoothing deposit flows of financial institutions as the primary benefits of such a change. Comments in favor of retention of the Thursday date generally viewed the proposal as having potential operational problems and as disadvantageous to depositors.

After consideration of all of the comments on the proposal, the Committee has determined to change the effective date of the ceiling rate of interest on MMCs and SSCs from Thursday to the day after the new ceiling rates are announced. In this regard, the new ceiling rates on MMCs and SSCs normally are announced on Monday and, therefore, such rates will be effective on Tuesday. When a holiday occurs on Monday, the new ceiling rates are announced on Friday. In those instances, the new ceiling rates will become effective on Saturday. In all cases, the ceiling rates will remain in effect from the day after the announcement of the ceiling rate until the end of the day that a new ceiling rate is announced for the particular category of deposit. As in the past, the ceiling rate applicable to outstanding deposits will not change during the life of the deposit. This action is effective for the new ceiling rate for MMCs to be announced on April 6, 1981, and for the ceiling rate to be announced for SSCs on April 13, 1981.

The Committee believes that this action will benefit depository institutions by more closely linking the ceiling rates payable on MMCs and SSCs with current market rates, thereby smoothing deposit flows among depository institutions. In view of the comments received on the proposal, the Committee believes that the change should not present operational difficulties for institutions. However, the Committee noted that if the change presents unanticipated operational difficulties for depository institutions, it might reconsider the amendment at a future date. In order to provide depositors with a return on their funds invested in MMCs and SSCs that is more closely aligned to current market rates as soon as possible, the Committee finds that good cause exists for making this action effective in less than 30 days.

Pursuant to its authority under Title II of Public Law 96-221, 94 Stat. 142 (12 U.S.C. § 3501 *et seq.*), to prescribe rules governing the payment of interest and dividends on deposits of federally insured commercial banks, savings and loan associations, and mutual savings banks, effective April 7, 1981, the Committee amends Part 1204--Interest on Deposits (12 CFR Part 1204) as follows:

1. Section 104 is revised to read as follows:

§ 1204.104 -- 26-Week Money Market Time Deposits of Less than $100,000.

Commercial banks, mutual savings banks, and savings and loan associations may pay interest on any nonnegotiable time deposit of $10,000 or more, with a maturity of 26 weeks at a rate not to exceed the rates set forth below. Rounding any rate to the next higher rate is not permitted and interest may not be compounded during the term of this deposit.

Rate established and announced (auction average on a discount basis) for U.S. Treasury bills with maturities of 26 weeks at the auction held immediately prior to the date of deposit ("Bill Rate")	Maximum per cent
Commercial Banks	
7.50 per cent or below	7.75
Above 7.50 per cent	Bill Rate plus one-quarter of one per cent
Mutual Savings Banks and Savings and Loan Associations	
7.25 per cent or below	7.75
Above 7.25 per cent, but below 8.50 per cent	Bill Rate plus one-half of one per cent
8.50 per cent, but below 8.75 per cent	9
8.75 per cent or above	Bill Rate plus one-quarter of one per cent

2. Section 106 is revised to read as follows:

§ 1204.106 -- Time Deposits of Less Than $100,000 With Maturities of 2-1/2 Years or More.

(a) A commercial bank may pay interest on any nonnegotiable time deposit with a maturity of 2-1/2 years or more at a rate not to exceed the higher of one-quarter of one per cent below the average 2-1/2 year yield for United States Treasury securities as determined and announced by the United States Department of the Treasury immediately prior to the date of deposit, or 9.25 per cent. Such announcement is made by the United States Department of the Treasury every two weeks. The average 2-1/2 year yield will be rounded by the United States Department of the Treasury to the nearest 5 basis points. The rate paid on any such deposit cannot exceed the ceiling rate in effect on the date of deposit. In no event shall the rate of interest paid exceed 11.75 per cent, except as provided in 12 CFR 217.7(g) and in 12 CFR 329.6(b)(6).

(b) A mutual savings bank or savings and loan association may pay interest on any nonnegotiable time deposit with a maturity of 2-1/2 years or more at a rate not to exceed the higher of the average 2-1/2 year yield for United States Treasury securities as determined and announced by the United States Department of the Treasury immediately prior to the date of deposit, or 9.50 per cent. Such announcement is made by the United States Department of the Treasury every two weeks. The average 2-1/2 year yield will be rounded by the United States Department of the Treasury to the nearest 5 basis points. The rate paid on any such deposit cannot exceed the ceiling rate in effect on the date of deposit. In no event shall the rate of interest paid exceed 12.00 per cent.

By order of the Committee, March 31, 1981.

(Signed) Normand R. V. Bernard

Normand R. V. Bernard
Executive Secretary of the Board

[SEAL]

DEPOSITORY INSTITUTIONS DEREGULATION COMMITTEE

[12 CFR Part 1204]

(Docket No. D-0019)

NOTICE OF PROPOSED RULEMAKING

Deregulation of Deposit Rate Ceilings

AGENCY: Depository Institutions Deregulation Committee.

ACTION: Proposed rulemaking.

SUMMARY: The Depository Institutions Deregulation Committee ("Committee") is requesting public comment on two proposed actions: (1) removal of the maximum interest rate ceilings ("caps") on 2-1/2 year or more small saver certificates (SSCs) while continuing to index the interest rate limitation on SSCs to the 2-1/2 year yield on U. S. Treasury securities, and (2) establishment of a schedule for which rate ceilings on deposits would be gradually deregulated starting with longer maturities by eliminating such ceilings or, alternatively, by indexing interest rate ceilings to a market rate. The proposals are intended as steps in accomplishing the Committee's objective of an orderly phase-out and ultimate elimination of deposit interest rate ceilings.

DATES: Comments must be received by May 1, 1981.

ADDRESS: Interested parties are invited to submit written data, views, or arguments regarding the proposed rules to Normand R. V. Bernard, Executive Secretary, Federal Reserve Building, 20th Street and Constitution Avenue, N. W., Washington, D. C. 20551. All material submitted should include the Docket Number D-0019. Such material will be made available for inspection and copying upon request except as provided in Section 1202.5 of the Committee's Rules Regarding Availability of Information (12 CFR § 1202.5).

FOR FURTHER INFORMATION CONTACT: Paul S. Pilecki, Senior Attorney, Board of Governors of the Federal Reserve System (202/452-3281), F. Douglas Birdzell, Counsel, Federal Deposit Insurance Corporation (202/389-4261), Allan Schott, Attorney-Advisor, Department of the Treasury (202/566-6798), Rebecca Laird, Senior Associate General Counsel, Federal Home Loan Bank Board (202/377-6446), David Ansell, Attorney, Office of the Comptroller of the Currency (202/447-1880), or Robert H. Dugger, Director, Office of Policy Analysis, National Credit Union Administration Board (202/357-1090).

SUPPLEMENTARY INFORMATION: The Depository Institutions Deregulation Act of 1980 (Title II of P. L. 96-221; 12 U.S.C. §§ 3501 et seq.) ("Act") was enacted to provide for the orderly phase-out and the ultimate elimination of the limitations on the maximum rates of interest and dividends that may be paid on deposit accounts by depository institutions. In adopting the Act, the Congress determined that rate ceilings have: (1) discouraged savings; (2) created inequities for depositors; (3) impeded competition among depository institutions; and (4) not provided an even flow of funds for home mortgage lending. The Congress also found that all depositors, particularly those with modest savings, are entitled to receive a market rate-of-return as soon as it is economically feasible for institutions to pay such rates.

Under the Act, authority to administer deposit rate ceilings and to structure the phase-out of such ceilings has been given to the Committee. The Act also provides that the Committee can phase out rate ceilings by any or all of the following methods:

(1) gradually increase ceilings applicable to all account categories (however when increasing rates on all existing accounts, the DIDC may not exceed market rates);

(2) complete elimination of limitations applicable to particular account categories (both new and existing):

(3) creation of new account categories not subject to limits or with limits set at current market rates;

(4) by any combination of the above methods; and

(5) by any other method.

In accordance with its responsibilities, the Committee is requesting public comment on two proposals that are intended to meet the objective of the Act. The first proposal is designed to further deregulation in the short run by removing the maximum interest rate ceilings ("caps") on 2-1/2 year or more small saver certificates (SSCs). An interest rate limitation would continue to apply to SSCs; the ceiling normally would be determined by the 2-1/2 year yield on U. S. Treasury securities. The second proposal is a longer-term plan of deregulation under which deposit interest rate ceilings would be gradually deregulated starting with longer maturities by eliminating the ceilings or, alternatively, by indexing interest rate ceilings to a market rate. The Committee also is interested in receiving comments on other plans of deregulation of interest rate limitations. Comment is reqested by May 1, 1981.

Removal of the Cap on SSCs

The ceiling rate of interest payable on the SSC is tied to the average 2-1/2 year yield for United States Treasury securities as determined bi-weekly by the United States Treasury. Thrift institutions may pay interest on SSCs at the 2-1/2 year yield announced prior to the date of deposit and commercial banks may pay interest at a rate 25 basis points lower.

On February 27, 1980, prior to the establishment of the Committee, the Federal regulatory agencies announced the establishment of a temporary maximum on the SSC ceiling of 12 per cent for insured savings and loan associations and mutual savings banks and 11.75 per cent for Federally insured commercial banks. This action was viewed as necessary because the agencies believed that the sudden increase in ceilings, which otherwise would have occurred in March 1980, would have been disruptive to many financial institutions, particularly those holding a high proportion of long-term fixed-rate loans. The caps have been binding continuously since November 1980. Absent the cap, the interest limitation on SSCs for the period March 19 through April 1 would be 13.55 per cent for thrift institutions and 13.30 per cent for commercial banks.

There also is a minimum interest rate ceiling on SSCs of 9.50 per cent for thrift institutions and 9.25 per cent for commercial banks, although depository institutions may pay interest at rates lower than the ceiling. The minimum interest rate ceiling, which was established effective June 2, 1980, would not be affected by the proposal.

The Committee believes that removing the cap on the SSC interest rate ceiling would provide a higher return to savers as well as give depository institutions flexibility in choosing their own liability structures. The more market sensitive overall yield that could be offered could improve the competitive position of depository institutions *vis-a-vis* nondeposit alternatives. Moreover, to the extent that institutions would be able to attract longer-term deposits, the flow of funds into the mortgage markets could be improved.

Accordingly, the Committee requests views from the public on a proposal to remove the maximum interest rate ceiling on SSCs of 12 per cent for thrift institutions and 11.75 per cent for commercial banks so that the interest rate limitation could be higher when the average yield on 2-1/2 year Treasury securities exceeds 12 per cent. In particular, the Committee is interested in comments on the effect that this action is likely to have on the flow of funds to depository institutions, on the earnings position of institutions, and on the rates-of-return available to depositors.

Deregulation of Deposit Rate Ceilings by Maturity

Pursuant to its responsibility to phase out deposit rate ceilings, the Committee is considering a proposal to deregulate such ceilings by maturity of deposit. Under this proposal, the Committee would announce a schedule for authorizing new deposit categories with no ceilings starting with longer maturity deposits. As an alternative, a schedule of new deposit categories with ceilings indexed to market rates could be established. If indexed ceilings were adopted they could be established with or without a differential between commercial banks and thrift institutions. In implementing any deregulation plan, the Committee is required to take into account whether economic conditions warrant such action. In this regard, any action under a plan could be accelerated or delayed depending upon the ability of financial institutions to pay market rates as suggested by the schedule. The Committee proposes to implement this action according to the following schedule:

Date	Maturity of deposits for which rate ceilings would be eliminted
July 1, 1981	5 years or more
July 1, 1982	4 to 5 years
July 1, 1983	2 to 4 years
July 1, 1984	1 to 2 years
July 1, 1985	6 months to 1 year
April 1, 1986	no ceilings (as required by statute)

The table below presents the existing time deposit interest rate ceilings to facilitate comparisons of the proposed program to the current ceiling rate structure.

If a phased indexing of ceilings were used, the ceilings at thrifts and commercial banks could be tied to the yields on U. S. Treasury securities of comparable maturities. Under this approach, ceilings on longer-maturity deposits could be below the current SSC ceiling (even with the caps) if the U. S. Treasury yield curve were downward sloping. To avoid setting ceilings that would be lower than those possible under current regulations, public comment also is requested on tying the ceilings on longer-term deposits to the rates on comparable maturity Treasury securities or the SSC ceilings, which ever was greater. In any event, were the cap to be maintained on the SSC it would not have to apply to the "deregulated" instruments.

The Committee believes that the development of its intentions regarding the deregulation of interest rate ceilings is desirable in order to facilitate planning by depository institutions. The approach

CURRENT MAXIMUM INTEREST RATES PAYABLE ON TIME DEPOSITS
(per cent)

Type and maturity of deposit	Commercial banks	S&Ls and MSBs
Fixed Ceiling Time Deposits		
14-89 days	5-1/4	1/
90 days-1 year	5-3/4	6
1-2 1/2 years	6	6-1/2
2 1/2-4 years 2/	6-1/2	6-3/4
4-6 years 2/	7-1/4	7-1/2
6-8 years 2/	7-1/2	7-/4
8 years or more 2/	7-3/4	8
Issued to government units (all maturities)	8	8
IRA/Keogh (3 years or more)	8	8
Variable-Ceiling Time Deposits		
26-week MMCs	3/	3/
2-1/2 year or more SSC	4/	4/

1/ No separate account category.

2/ Such ceilings presently are superseded by the minimum interest rate ceilings on the SSC of 9.50 per cent for thrift institutions and 9.25 per cent for commercial banks (see fn. 4).

3/ Effective for all 26-week MMCs issued beginning June 5, 1981, the interest rate ceilings will be determined by the discount rate (auction average) of the most recently issued six-month Treasury bills as follows:

Bill rate	Commercial bank ceiling	Thrift ceiling
8.75 and above	bill rate + 1/4 per cent	bill rate + 1/4 per cent
8.50 to 8.75	bill rate + 1/4 per cent	9.00
7.50 to 8.50	bill rate + 1/4 per cent	bill rate + 1/2 per cent
7.25 to 7.50	7.75	bill rate + 1/2 per cent
Below 7.25	7.75	7.75

4/ Effective for all SSCs with maturities of 2-1/2 years or more issued beginning June 2, 1980, the ceiling rates of interest will be determined by the 2-1/2-year Treasury yield as follows:

Treasury yield	Commercial bank ceiling	Thrift ceiling
12.00 and above	11.75	12.00
9.50 to 12.00	Treasury yield less 1/4 per cent	Treasury yield
Below 9.50	9.25	9.50

set forth above addresses the issue of providing a market rate-of-return to savers and also allows depository institutions, particularly thrift institutions, time to adjust to an environment of deregulated deposit rate ceilings. Although the asset powers of thrifts have been expanded, it will be a number of years before their asset portfolios are affected materially. In the initial stages of the phase-out savers would be encouraged to place funds in longer-term accounts, which could help correct the imbalance of asset and liability maturities at thrift institutions. In addition, to the extent that longer-term deposits are acquired, institutions may be more willing to channel the funds into the housing market.

The Committee is interested in receiving comments on all aspects of this proposal, including other approaches to deregulation. However, it is particularly interested in receiving comment on the following issues:

1. The desirability of eliminating ceilings versus establishing indexed ceiling rates.

2. The appropriateness of the phase-out schedule in view of the structure of assets and liabilities at depository institutions.

3. The impact of the proposal on the flow of funds to depository institutions.

4. The implications of the proposal for providing depositors an attractive rate of return on their deposits.

5. The impact of the proposal on the earnings of depository institutions.

6. The interrelationship of this proposal with the concept of removal of the cap on the SSC.

7. Other problems or benefits that would be derived from the establishment of a schedule for phasing out interest rate ceilings.

8. Other suggestions related to implementing a plan of deregulation.

In view of the potential benefits that could be derived from these proposed actions on the part of both depository institutions and their customers, the Committee has determined that it is appropriate to provide a thirty-day comment period on this matter. Accordingly, comments on these proposals should be submitted by May 1, 1981.

By order of the Committee, March 31, 1981.

(Signed) Normand R. V. Bernard

Normand R. V. Bernard
Executive Secretary of the Committee

[SEAL]