

FEDERAL RESERVE BANK
OF NEW YORK

Circular No. 7887
May 28, 1976

INTEREST ON POOLED FUNDS
Extension of Time for Comment on Proposed Amendment to Regulation Q

*To All Member Banks, and Others Concerned,
in the Second Federal Reserve District:*

Following is the text of a statement issued May 13 by the Board of Governors of the Federal Reserve System:

The Board of Governors of the Federal Reserve System today extended for two months the period for comment on a proposed change in its Regulation Q with respect to pooled funds.

On March 9 the Board invited comment on a proposal to prohibit member banks from paying interest on pooled funds of \$100,000 or more at a rate above Regulation Q ceilings on deposits of less than \$100,000.

Today the Board extended the period for comment on its proposal from May 10 to July 9. An extension had been requested by some who wished to prepare additional data.

Printed below is the text of the Board's Order in this matter. The text of the proposed amendment to Regulation Q was reprinted with our Circular No. 7837, dated March 12, 1976. Comments on the proposal should be submitted by July 9, 1976, and may be sent to our Bank Regulations Department.

PAUL A. VOLCKER,
President.

[Reg. Q]
PART 217—INTEREST ON DEPOSITS
(Docket No. R-0024)
Pooling of Funds
Notice of Extension of Comment Period

By notice published in the Federal Register of March 15, 1976 (41 Federal Register 10917), the Board of Governors proposed to amend Regulation Q (12 CFR 217) to prohibit member banks from paying interest on time deposits of \$100,000 or more at rates in excess of those established by Regulation Q for deposits of less than \$100,000, where the bank knows or has reason to know that such time deposits consist of funds acquired or solicited for the purpose of pooling such funds

primarily to obtain the exemption from interest rate ceilings provided in § 217.7(a).

This proposal was based in part upon the belief that the practice of pooling violates Regulation Q interest rate ceiling limitations and upon the belief that pooling may have potentially adverse effects on member and nonmember financial institutions due to potentially disruptive shifts of funds.

(Over)

Public comments on this proposal were to have been received no later than May 10, 1976. Requests from the public have been received by the Board to extend the comment period. These requests state that they plan to submit additional economic and statistical data that should prove of assistance to the Board in this matter and that such data will not be available until after May 10, 1976. The Board has reviewed these requests and has decided that it is in the public interest to extend the period for receipt of comments from the public for an additional 60 days. Accordingly, the comment period for receipt of submissions from the public on the Board's proposal of March 8, 1976, to prohibit the payment of interest on pooled funds by member banks in excess of the rate established for

deposits of less than \$100,000 is hereby extended to July 9, 1976.

To assist the Board in its consideration of this matter, interested persons are invited to submit relevant data, views, or arguments. Any such material should be submitted in writing to the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551, and should be received not later than July 9, 1976. All material submitted should include the docket number R-0024. Such information will be made available for inspection and copying upon request except as provided in § 261.6(a) of the Board's Rules Regarding Availability of Information.

By order of the Board of Governors, May 12, 1976.