

excess of the skim milk and butterfat contained in member producer milk actually received at such plant)", and "or the previous 12-month period ending with the current month".

Statement of Consideration

This rule continues to suspend certain provisions of the Central Arizona order for the months of April 1, 1997, through March 31, 1999. The suspension removes the requirement that a cooperative association that operates a manufacturing plant in the marketing area must ship at least 50 percent of its milk supply during the current month or the previous 12-month period ending with the current month to other handlers' pool plants to maintain the pool status of its manufacturing plant.

The order permits a cooperative association's manufacturing plant, located in the marketing area, to be a pool plant if at least 50 percent of the producer milk of members of the cooperative association is physically received at pool plants of other handlers during the current month or the previous 12-month period ending with the current month.

Continuation of the current suspension of this shipping requirement was requested by United Dairymen of Arizona (UDA), a cooperative association that represents nearly all of the dairy farmers who supply the Central Arizona market. UDA states that the continued pool status of their manufacturing plant is threatened if the suspension is not continued. UDA contends that the same marketing conditions that warranted the suspension the last two years still exist. UDA maintains that members who increased their milk production to meet the projected demands of fluid handlers for distribution into Mexico continue to suffer the adverse impact of the collapse of the Mexican peso.

The commenter opposing the continuing suspension contends that the expanded milk production was not for projected demands of fluid handlers but rather for projected cheese demand. The comment points out that the suspension will lower the blend price as more milk will be pooled with the suspension than without it.

During each of the past two years, there has been an increase in total producer milk in the Central Arizona market. Meanwhile the total handler requirements for bulk milk deliveries have decreased. However, it should be noted that Class I utilization has been highly erratic from month-to-month. For example during the first four months of 1996 fluid utilization on a daily average basis was up 2.6 percent, but for all of

1996, Class I was down 0.7 percent. The decrease in total handler deliveries and their erratic movements are likely a result of changing Class I sales by Central Arizona handlers into Mexico because of the devaluation of the Mexican peso. The situation has not stabilized adequately to assure a reliable fluid milk market for Central Arizona handlers.

Pool status of UDA's manufacturing plant would be jeopardized absent continuation of the suspension. Without the suspension, costly and inefficient movements of milk would have to be made to maintain pool status of producers who have historically supplied the market and to prevent disorderly marketing in the Central Arizona marketing area.

UDA requested that the suspension be granted for an indefinite period beginning in April 1997. After reviewing the marketing conditions of the Central Arizona marketing area and their relationship with the uncertain value of the Mexican peso, this suspension will be for a two-year period.

Accordingly, it is appropriate to suspend the aforesaid provision for the months of April 1, 1997, through March 31, 1999.

It is hereby found and determined that thirty days' notice of the effective date hereof is impractical, unnecessary and contrary to the public interest in that:

(a) The suspension is necessary to reflect current marketing conditions and to assure orderly marketing conditions in the marketing area, and to permit the continued pooling of the milk of dairy farmers who have historically supplied the market without the need for making costly and inefficient movements of milk;

(b) This suspension does not require of persons affected substantial or extensive preparation prior to the effective date; and

(c) Notice of proposed rulemaking was given interested parties and they were afforded opportunity to file written data, views or arguments concerning this suspension.

Therefore, good cause exists for making this order effective less than 30 days from the date of publication in the **Federal Register**.

List of Subjects in 7 CFR Part 1131

Milk marketing orders.

For the reasons set forth in the preamble 7 CFR Part 1131, is amended as follows:

PART 1131—MILK IN THE CENTRAL ARIZONA MARKETING AREA

1. The authority citation for 7 CFR Part 1131 continues to read as follows:

Authority: 7 U.S.C. 601-674.

§ 1131.7 [Suspended in part]

2. In § 1131.7(c), the words "50 percent or more of", "(including the skim milk and butterfat in fluid milk products transferred from its own plant pursuant to this paragraph that is not in excess of the skim milk and butterfat contained in member producer milk actually received at such plant)", and "or the previous 12-month period ending with the current month" are suspended for the months of April 1, 1997, through March 31, 1999.

Dated: May 9, 1997.

Michael V. Dunn,

Assistant Secretary, Marketing and Regulatory Programs.

[FR Doc. 97-12709 Filed 5-14-97; 8:45 am]

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FEDERAL RESERVE SYSTEM

12 CFR Part 217

[Regulation Q; Docket No. R-0971]

Prohibition Against Payment of Interest on Demand Deposits

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Interpretation.

SUMMARY: The Board has amended an interpretation to provide an exception to the current limitations on premiums given on demand deposit accounts. Section 11 of the Banking Act of 1933 prohibits the payment of interest on demand deposits, and Regulation Q implements this prohibition. As an exception to this rule, an interpretation permits premiums up to \$10 for deposits of less than \$5000 and up to \$20 for deposits of \$5000 or more not more than twice per year (Interpretation). The Interpretation also limits the timing of such premiums to the opening of a new account or an addition to an existing account.

The Board has amended the Interpretation to provide an additional exception that permits premiums given without regard to the balance in a demand deposit account and the duration of the account balance, since from an economic point of view such premiums do not constitute interest on the account. Accordingly, depository institutions are permitted to give such premiums, without regard to the amount

of the premium, provided that the premiums are not related to or dependent on the balance in the account and the duration of the account balance, without violating Regulation Q.

EFFECTIVE DATE: May 15, 1997.

FOR FURTHER INFORMATION CONTACT: Rick Heyke, Staff Attorney, Legal Division, Board of Governors of the Federal Reserve System (202/452-3688). For the hearing impaired only, Telecommunications Device for the Deaf (TDD), Diane Jenkins (202/452-3544).

SUPPLEMENTARY INFORMATION:

Background

Section 11 of the Banking Act of 1933 prohibits the payment of interest on demand deposits (12 U.S.C. 371a). Regulation Q implements this prohibition (12 CFR 217.3). As an exception to this rule, the Interpretation permits premiums up to \$10 for deposits of less than \$5000 and up to \$20 for deposits of \$5000 or more not more than twice per year (12 CFR 217.101). The Interpretation limits the timing of the premiums to the opening of a new account or an addition to an existing account. The Board has revised the Interpretation to permit in addition premiums, without regard to the amount of the premium, provided that the premiums are not related to or dependent on the balance in an account and the duration of the account balance.

The premium limitations in Regulation Q originally applied to all types of deposits and were established in part to prevent evasion of interest rate ceilings at the retail level prior to the deregulation of interest rates on time and savings deposits (including NOW accounts) pursuant to the Depository Institutions Deregulation and Monetary Control Act of 1980. The premium limitations were agreed upon by the Depository Institutions Deregulation Committee ("DIDC") and supported by all the depository institution regulators in an effort to preserve a relatively level playing field during the period of deposit interest rate deregulation, which ended in 1986. Since then, banks have been permitted to offer premiums on interest bearing accounts, including NOW, time, and savings accounts, without regard to the premium limitations, and the limitations have only applied to demand deposit accounts.

Because the existing exemption is restricted to the opening of or an addition to¹ a deposit account, it has constrained the ability of depository

¹ Premiums are also permitted on renewing a deposit, but this has been moot since time deposits were deregulated, and is eliminated in the revision.

institutions to offer incentives to use their products, including encouraging the use of new services such as ATM or debit cards. On June 23, 1981, the Executive Secretary of the DIDC advised one bank that wanted to offer promotions to deposit customers who signed up for an ATM card and another bank that wanted to offer promotions to deposit customers who used an ATM card more than three times per month, that the promotions would constitute impermissible premiums because they would not coincide with opening or adding to an account. In effect, the Interpretation, coupled with these rulings, holds that premiums from use of a debit card, which reduces the amount on deposit, constitute interest on the deposit.

The Board believes that in cases where a premium is not related to or dependent on the balance in a demand deposit account and the duration of that balance, the premium generally should not be viewed as interest.

In light of all the foregoing, the Board is amending its Interpretation effective on date of publication in the **Federal Register** to except from the Regulation's restriction any premiums that are not related to the balance in an account and the duration of the account balance.

Regulatory Flexibility Act

The Regulatory Flexibility Act (5 U.S.C. 601-612) requires an agency to publish a regulatory flexibility analysis for any final rule for which the agency was required to publish a general notice of proposed rulemaking. Under 12 U.S.C. 553(b), a general notice of proposed rulemaking is not required for interpretative rules. Accordingly, no regulatory flexibility analysis is required in this case.

The amendment of the Interpretation will reduce the regulatory burden imposed by the Board's Regulation Q on all depository institutions, large and small. Therefore, the Board believes that the amendment will not have a significant adverse economic impact on a substantial number of small entities.

Under 12 U.S.C. 553(d), a 30 day period between publication date and effective date is not required for interpretative rules. Accordingly, this interpretation is effective on date of publication in the **Federal Register**.

Paperwork Reduction Act

In accordance with the Paperwork Reduction Act notice of 1995 (44 U.S.C. Ch. 3506; 5 CFR Part 1320, Appendix A.1), the Board has reviewed the rule under authority delegated to the Board by the Office of Management and Budget. No collections of information

pursuant to the Paperwork Reduction Act are contained in the rule.

List of Subjects in 12 CFR Part 217

Banks, Banking, Federal Reserve System.

Authority and Issuance

For the reasons set forth in the preamble, the Board amends part 217 of chapter II of title 12 as set forth below:

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

1. The authority citation for part 217 continues to read as follows:

Authority: 12 U.S.C. 248, 371a, 461, 505, 1818, and 3105.

§ 217.101 [Amended]

2. In § 217.101, paragraph (a)(1) is amended by removing “, or renewal of,” and a new paragraph (b) is added after paragraph (a) concluding text to read as follows:

§ 217.101 Premiums on deposits.

* * * * *

(b) Notwithstanding paragraph (a) of this section, any premium that is not, directly or indirectly, related to or dependent on the balance in a demand deposit account and the duration of the account balance shall not be considered the payment of interest on a demand deposit account and shall not be subject to the limitations in paragraph (a) of this section.

By order of the Board of Governors of the Federal Reserve System, May 9, 1997.

William W. Wiles,

Secretary of the Board.

[FR Doc. 97-12706 Filed 5-14-97; 8:45 am]

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DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 39

[Docket No. 96-CE-27-AD; Amendment 39-10026; AD 97-10-14]

RIN 2120-AA64

Airworthiness Directives; Raytheon Aircraft Company Model 1900D Airplanes (formerly Beech Aircraft Corporation)

AGENCY: Federal Aviation Administration, DOT.

ACTION: Final rule.

SUMMARY: This amendment adopts a new airworthiness directive (AD) that applies to Raytheon Aircraft Company