



May 5, 2011

Ms. Jennifer L. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

RE: Docket No. R-1413 and RIN No. 7100-AD60

Dear Ms. Johnson:

The Association for Financial Professionals (AFP) welcomes the opportunity to respond to the Federal Reserve Board's request for comment on proposed amendments to Regulation Q, which prohibits the payment of interest on demand deposits by institutions that are member banks of the Federal Reserve System.

As the global resource and advocate for the corporate finance profession, AFP serves over 16,000 members who manage, control, and safeguard the financial assets of more than 5,000 U.S. organizations. AFP members represent a broad spectrum of financial disciplines and their organizations in a wide variety of industries, including manufacturing, retail, energy, financial services, and technology. Many AFP members manage their organization's banking relationships and have an active interest and a sizable stake in restoring the safety and soundness of our nation's banking system.

As a long time advocate of the repeal of Regulation Q, AFP has served as a leader on this issue for many years and has worked with Members of Congress to introduce and pass legislation in previous sessions that address our concerns that Regulation Q hampered the ability of American businesses to make effective use of funds on deposit in banks. When Regulation Q was repealed under Dodd Frank in 2010, our members were encouraged that they could continue to keep their deposits in the banks while finally having the ability to earn interest.

Prior to Dodd Frank, AFP members dealt with the fact that banks were prohibited from paying interest on business transaction accounts when interest rates on bank time deposits were at historical lows. Little or no interest on bank deposits discouraged companies from holding bank deposits. In fact, not paying interest on these accounts may have created an incentive for companies to move funds out of bank deposits in order to generate higher yields from other alternatives. Simply put, in a low interest rate environment businesses sought to move cash from bank accounts to other investment vehicles that offered interest, thereby eroding bank liquidity. As a result of the repeal of Regulation Q, bank deposits could become a more stable source of capital funding for banks, it will give AFP members another competitive investment alternative, and the tax on the interest paid is a source of revenue for the US Treasury.

Additionally, it is important to note that bank relationship management strategies will be impacted in a post Dodd Frank and Regulation Q environment as there inherently will be new economic dynamics that must be considered when negotiating fees and rates if additional cash remains on deposit. Allowing banks to begin paying interest will force financial professionals and corporate treasurers to consider how to effectively rebalance their deposit portfolios in light of the new products and rate structures. Further, it will present them with another option in terms of liquidity and the expectation that demand for such instruments will increase - assuming pricing and credit quality are comparable to other instruments.

We appreciate the opportunity to provide our thoughts on the Federal Reserve Board's request for proposed amendments to Regulation Q. If you have any questions, please contact Thomas Hunt, CTP, AFP's Director of Treasury Services at (301) 961-8676 or via email at thunt@AFPonline.org.

Sincerely,



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