

FEDERAL RESERVE BANK
OF DALLAS

Dallas, Texas, September 29, 1966

REGULATION Q
MAXIMUM RATE OF INTEREST PAYABLE ON
TIME DEPOSITS OF LESS THAN \$100,000

To All Member Banks in the
Eleventh Federal Reserve District:

The question has been raised whether the action by the Board of Governors of the Federal Reserve System reducing from 5½ per cent to 5 per cent the maximum rate of interest that member banks are permitted to pay on time deposits of less than \$100,000 requires a reduction as of the September 26, 1966, effective date in interest rates being paid on certificates of deposits and other time deposits outstanding before that date.

A member bank may continue to pay on deposits outstanding before September 26, 1966, the rate of interest it was paying immediately before that date. If it either has reserved the right to reduce the rate of interest in the event the Board of Governors lowers the maximum permissible rate below the contract rate or has the right to terminate the deposit upon specified notice, it may, but need not, do so. When a contract is entered into on or after September 26, 1966, the rate of interest may not exceed the new ceiling.

Yours very truly,

Watrous H. Irons
President