

FEDERAL RESERVE BANK OF DALLAS
DALLAS, TEXAS 75222

Circular No. 68-216
October 15, 1968

AMENDMENTS TO REGULATION Q
"PAYMENT OF INTEREST ON DEPOSITS"

To All Member Banks
in the Eleventh Federal Reserve District:

Effective October 15, 1968, the Board of Governors of the Federal Reserve System has amended section 217.3 of Regulation Q. The purposes of the amendments are to clarify the authority of member banks to pay any rate of interest on time deposits of foreign monetary authorities, with maturities of not more than two years, and to modify an earlier position of the Board of Governors with respect to the payment of interest on such deposits where ownership therein is transferred by the so-called "exempt" organization to a nonexempt holder.

A copy of the amendments is enclosed for insertion in ring binders containing the Regulations of the Board of Governors and the Bulletins of this Bank. The amendment of section 217.3(a), Regulation Q, effective January 18, 1968, should be destroyed. Also attached is a copy of the press release regarding the amendments.

Yours very truly,

P. E. Coldwell
President

Enclosures (2)



FEDERAL RESERVE

press release

For immediate release

October 11, 1968

The Board of Governors of the Federal Reserve System today issued an amendment to its Regulation Q (Payment of Interest on Deposits), to be effective October 15, 1968, that:

1. Clarifies the authority of member banks to pay any rate of interest on time deposits of foreign monetary authorities, with maturities of not more than two years. The amendment was made pursuant to the enactment of Public Law 90-505, which became effective September 21. The authority granted by the amendment parallels that formerly provided by a statute that expires October 15.

2. Modifies an earlier position of the Board with respect to the payment of interest on such deposits that are transferred by such so-called "exempt" organizations to nonexempt holders. Formerly, a member bank was prohibited from paying interest at a rate exceeding the applicable maximum rate permitted by Regulation Q at the date of issue if a certificate of deposit issued to an exempt organization had been transferred to a nonexempt holder at any time before maturity. Under the amendment, a member bank may now pay the contract rate on a certificate issued to an exempt organization throughout the time it is held by such an organization even though the holder at maturity is not an exempt organization if such certificate provides (1) that, in the event of transfer, the date of

transfer, attested to in writing by the transferor, shall appear on the certificate, and (2) that the maximum rate limitations of Regulation Q in effect at the date of issuance of the certificate apply to the certificate during such time as it is held by any person other than an exempt organization.

The Board believes the amendment will encourage, to a greater extent than before, foreign monetary authorities to deposit funds in American commercial banks, and thus be of assistance in combating the nation's balance of payments problem.