FEDERAL RESERVE BANK OF DALLAS
DALLAS, TEXAS 75222

Circular No. 70-53
March 4, 1970

REGULATION Q
Increase in Regulation Q Rates
Multiple Maturity Time Deposits of One Year or More

To All Member Banks in the
Eleventh Federal Reserve District:

On March 3, 1970, the Board of Governors of the Federal Reserve System announced that it was amending Regulation Q to increase the maximum rates member banks may pay on multiple maturity time deposits of one year or more. The new rates, which are retroactive to January 21, 1970, are:

	Per Cent
Multiple maturity time deposits of one year but less than two years	5-1/2
Multiple maturity time deposits of two years or more	5-3/4

The Board's press release announcing the increase and the text of its amendment to Regulation Q, are found on the following pages. Printed copies of the revised supplement to Regulation Q for insertion in your ring binder will be forwarded as soon as available.

Yours very truly,

P. E. Coldwell

President

The Board of Governors of the Federal Reserve System announced today an increase in the maximum interest rates member banks may pay on multiple maturity time deposits of one year or more, bringing them in line with new maximum rates on single maturity deposits of less than $100,000.

The new maximum rates are 5-1/2 per cent on multiple maturity time deposits payable at intervals of one year to two years, and 5-3/4 per cent on such deposits payable at intervals of two years or more. The previous maximum rate was 5 percent on both types of instruments. For multiple maturity time deposits maturing in 90 days to one year the maximum rate remains at 5 per cent.

A multiple maturity time deposit means any time deposit that is payable at the depositor's option on more than one date, for example, by automatic renewal at maturity if the depositor does not withdraw his funds at that time.

On January 20, the Board announced an increase in the maximum rates banks may pay on single maturity time deposits of one year or more, effective on January 21. The action announced today--effective retroactively to January 21--was taken in view of the convenience to bank customers of the automatic renewal feature and the practice followed by the Federal Home Loan Bank Board in permitting renewal of similar deposits in savings and loan institutions.

The Federal Deposit Insurance Corporation is issuing similar regulations covering insured state nonmember commercial and mutual savings banks and savings banks in Massachusetts not insured by the FDIC.

A copy of the Board's amendment to its rules governing the payment of interest on deposits (Regulation Q) is attached.

Attachment

TITLE 12--BANKS AND BANKING

CHAPTER II--FEDERAL RESERVE SYSTEM

SUBCHAPTER A--BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

PART 217--INTEREST ON DEPOSITS

(Reg. Q)

MAXIMUM RATES ON CERTAIN MULTIPLE MATURITY TIME DEPOSITS

1. Effective January 21, 1970, subparagraph (b) of section 217.7 (Supplement to Regulation Q) is amended to read as follows:

Section 217.7 Maximum rates of interest payable by member banks on time and savings deposits.

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(b) Multiple maturity time deposits. No member bank shall pay interest on a multiple maturity time deposit at a rate in excess of the applicable rate under the following schedule:

Maturity Intervals	Maximum per cent
30 days or more but less than 90 days	4-1/2
90 days or more but less than 1 year	5
1 year or more but less than 2 years	5-1/2
2 years or more	5-3/4

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2a. This amendment is designed to permit member banks to pay, effective January 21, 1970, (1) 5-1/2 per cent on multiple maturity time deposits payable only one year or more after the date of deposit, or one year or more after the last preceding date on which it might have been paid, and (2) 5-3/4 per cent on such deposits payable only two years or more after the date of deposit, or two years or more after the last preceding date on which it might have been paid. The Board previously authorized member banks to pay, effective January 21, 1970, such rates on single maturity time deposits in amounts less than $100,000 and with like maturities (35 F.R. 1156).

b. The amendment was adopted in view of the convenience to bank customers of automatic renewal and the practice followed by the Federal Home Loan Bank Board in permitting automatic renewal of similar deposits in savings and loan institutions.

c. The requirements of Section 553(b) of Title 5, United States Code, with respect to notice, public participations, and deferred effective date were not followed in connection with this amendment. The Board found that, in the circumstances, the public interest compelled it to take action at the earliest practicable time and to make the action retroactive to the date of its action raising the maximum rates payable on single maturity time deposits.

By order of the Board of Governors, February 26, 1970.

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Deputy Secretary.

(SEAL)