

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 78-143
October 12, 1978

REGULATION Q--INTEREST ON DEPOSITS

Advertising Guidelines for Automatic Transfer Programs

TO ALL MEMBER BANKS
AND OTHERS CONCERNED IN THE
ELEVENTH FEDERAL RESERVE DISTRICT:

In recent weeks the Federal Reserve System has been asked by member banks to review advertising programs developed to promote their automatic transfer of savings programs that they will be able to offer beginning November 1. In view of the interest expressed, the Board believes that the following guidance will be of general assistance to member banks in developing their automatic transfer promotional programs.

- Advertisements and promotional materials should clearly indicate that the automatic transfer service involves two separate accounts--a savings account and a checking account. For example, terms such as "checking-savings plan," "interest/checking plan," or "savings/checking accounts" are acceptable since use of a "-", "/", or other similar signs and the word "accounts" in the above format highlights that the service involves two accounts.
- Member banks should avoid referring to the automatic transfer service as equivalent or similar to paying interest on checking accounts. The Board believes that statements such as "interest on checking," "interest checking account," "interest-paying checking plan," and "almost like interest on checking" are inappropriate. Such statements do not accurately describe the nature of the service or indicate the existence of two separate accounts and may convey the incorrect impression that depositors will be receiving interest on demand deposits, which is currently prohibited by Federal law.
- Similarly, it is inappropriate to refer to the automatic transfer service as "checking on savings" or "checkable savings". Such statements are undesirable because they could result in the mistaken belief that checks may be drawn by depositors against

Banks and others are encouraged to use the following incoming WATS numbers in contacting this Bank: 1-800-492-4403 (intrastate) and 1-800-527-4970 (interstate). For calls placed locally, please use 651 plus the extension referred to above.

their interest-bearing savings accounts, a service presently limited by Federal law to the six New England states.

Member banks are reminded that depositors must be specifically informed at the time the automatic transfer of savings service is authorized that the bank reserves the right to require a notice period of at least 30 days of intended automatic withdrawals of savings deposits. Written agreements entered into by member banks and their depositors must prominently disclose this reservation.

Questions concerning specific advertisements or promotional programs should be directed to the Bank Supervision and Regulations Department, Consumer Affairs Section, at Ext. 6171 or 6269.

Sincerely yours,

Robert H. Boykin

First Vice President