

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 80-109
May 30, 1980

REGULATION Q INTEREST ON DEPOSITS

Announcement of Rate for Two and One-Half Year
Money Market Certificate of Deposit

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

Beginning January 1, 1980, member banks were permitted to offer a non-negotiable time deposit with a maturity of two and one-half years or more at a rate tied to the average two and one-half year yield on United States Treasury securities. The Depository Institutions Deregulation Committee, which has authority to set rate limits on time and savings deposits for all financial institutions, has adopted a number of final regulations effective June 2, 1980, which affect these time deposits.

The Deregulation Committee has adopted a nominal ceiling of 9.25% for commercial banks and 9.50% for thrift institutions to go along with the recently adopted ceiling maximums of 11.75% and 12.00%, respectively. Any time the treasury rate falls below 9.50%, the bank ceiling will be 9.25% although banks can offer the time deposit at a lower rate. In addition, the ceiling rate for the two and one-half year time deposit will change every two weeks rather than monthly. The new rate will be established bi-weekly each Monday and will be effective the following Thursday.

For the period from June 2 through June 11, the ceiling rate of 9.25% is authorized for commercial banks. Additional details concerning the new regulation will be provided in subsequent circulars.

Questions regarding Regulation Q should be directed to the Consumer Affairs Section of our Bank Supervision and Regulations Department, Ext. 6171.

Sincerely yours,

Robert H. Boykin

First Vice President

Banks and others are encouraged to use the following incoming WATS numbers in contacting this Bank: 1-800-442-7140 (intrastate) and 1-800-527-9200 (interstate). For calls placed locally, please use 651 plus the extension referred to above.