

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 80-215

November 7, 1980

TECHNICAL AMENDMENT TO REGULATION Q - INTEREST ON DEPOSITS

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

The Board of Governors of the Federal Reserve System has adopted several technical amendments to sections of Regulation Q to implement the decision to permit member banks to pay interest on time deposits with maturities or required notice periods of 14 days or more beginning October 30, 1980. Reference was made to the member bank ceiling rate of 5 1/4 percent for these deposits if they are under \$100,000 in our Circular No. 80-199 of October 23, 1980.

The Federal Register notice together with the language of the technical amendments is printed on the following pages. Questions concerning the actions taken 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.

TITLE 12--BANKS AND BANKING

CHAPTER II--FEDERAL RESERVE SYSTEM

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

[Regulation Q]

(Docket No. R-0306)

PART 217--INTEREST ON DEPOSITS

Definitions

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Technical amendment.

SUMMARY: The Board has adopted technical amendments to certain provisions of its Regulation Q--Interest on Deposits (12 CFR Part 217) to permit member banks to pay interest on time deposits with maturities or required notice periods of 14 days or more beginning October 30, 1980. These amendments implement actions taken by the Board announced on August 15, 1980 (45 FR 56009), reducing the minimum maturity of time deposits to 14 days and by the Depository Institutions Deregulation Committee on September 9, 1980, which adopted a final rule (12 CFR § 1204.112), effective October 30, 1980, establishing a ceiling rate of interest payable of 5-1/4 per cent by member banks on time deposits of under \$100,000 with original maturities or required notice periods of 14 to 90 days. This action will enable member banks to offer time deposits with original maturities (or required notice periods) of 14 days or more.

EFFECTIVE DATE: October 30, 1980.

FOR FURTHER INFORMATION CONTACT: Gilbert T. Schwartz, Assistant General Counsel (202/452-3625), or John Harry Jorgenson, Attorney (202/452-3778), Legal Division, Board of Governors of the Federal Reserve System, Washington, D.C., 20551.

SUPPLEMENTARY INFORMATION: On August 15, 1980, the Board announced a revised Regulation D--Reserve Requirements of Depository Institutions (12 CFR Part 204), implementing the reserve requirement provisions of the Monetary Control Act of 1980 (Title I of Pub. L. No. 96-221) (45 FR 56009). At that time the Board also shortened the minimum maturity of time deposits from 30 to 14 days for purposes of Regulations D and Q. (As a part of this action the Board also reduced the minimum notice period that may be required for the withdrawal of savings deposits from 30 to 14 days.) The Board believes that a shorter minimum maturity for time deposits would improve the competitive position of domestic depository institutions vis-a-vis open market instruments and foreign banking offices. Prior to this action the Board's Regulation Q (12 CFR Part 217) required at least a 30-day maturity or required notice

period for a deposit to qualify as a time deposit. (12 CFR §§ 217.1(c) and (d)). In addition, the definition of a savings deposit under Regulation Q required that the deposit contract provide that the bank may require the depositor to give not less than 30 days notice before a withdrawal is made (12 CFR § 217.1(e)). The following technical amendment of Regulation Q conforms it to the Board's action of August 15, 1980.

On September 9, 1980, the Depository Institutions Deregulation Committee ("DIDC") adopted a final rule (12 CFR § 1204.112 (45 FR 68640)) establishing a ceiling rate of interest of 5-1/4 per cent payable by member banks on time deposits of under \$100,000 with original maturities (or required notice periods) of 14 to 90 days. There will be no ceiling rate for time deposits of \$100,000 or more with minimum maturities or notice periods of 14 days or more. Accordingly, the Board's amendment of Regulation Q also conforms it to the action adopted by the DIDC in establishing an interest rate ceiling on such deposits (12 CFR § 1204.112).

These amendments have been adopted to implement the Board's action of August 15, 1980 to permit member banks to offer time deposits with maturities of 14 days or more. Public comment was solicited on this proposal on June 4, 1980 (45 FR 38388). The Board finds that the deferral of effective date provisions of 5 U.S.C. § 553(b) to this action are unnecessary because this action relieves a regulatory restriction. Effective October 30, 1980, pursuant to the Board's authority under section 19 of the Federal Reserve Act (12 U.S.C. § 461 *et seq.*), to define the term deposit Regulation Q (12 CFR Part 217 is amended as follows:

1. Sections 217.1(c) (1), (2) and (3), (d) and (e) (2); 217.5(c) (2); 217.7(b) and (h) of Regulation Q and footnotes 1, 2 and 3 (12 CFR §§ 217.1(c) (1), (2) and (3), (d), (e) (2); 217.5(c) (2); 217.7(b) and (h)) are amended by striking "30" and inserting "14".

By order of the Board of Governors of the Federal Reserve System, October 29, 1980.

(signed) Theodore E. Allison

Theodore E. Allison
Secretary of the Board

[SEAL]