

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. 4394]
December 3, 1956]

INTEREST ON TIME AND SAVINGS DEPOSITS

New Supplement, Effective January 1, 1957, to Regulation Q

*To all Member Banks in the
Second Federal Reserve District:*

The Board of Governors of the Federal Reserve System today adopted a new Supplement, effective January 1, 1957, to its Regulation Q. By this action, the Board increased the maximum rates of interest that may be paid by member banks on savings deposits, and on time deposits payable in 90 days or more. Similar action was also taken by the Federal Deposit Insurance Corporation in increasing the rates that may be paid by nonmember banks insured by that corporation. The text of a joint statement issued today by the Board of Governors and the FDIC concerning these changes is as follows:

The Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation today changed the maximum permissible rates of interest payable by member banks of the Federal Reserve System and nonmember banks insured by the FDIC on savings deposits and time deposits and certificates as follows, effective January 1, 1957:

	<i>Maximum permissible rate, at present</i>	<i>Maximum permissible rate, effective January 1, 1957</i>
Savings deposits	2½%	3%
Time deposits and certificates, 6 months or more	2½%	3%
Time deposits and certificates, 90 days to 6 months	2%	2½%

No change was made in the maximum permissible rate, now 1 per cent, payable on time deposits and certificates of less than 90 days.

Enclosed is a copy of the Supplement, effective January 1, 1957, to Regulation Q. Additional copies of the supplement and of this circular will be furnished upon request.

ALFRED HAYES,
President.

SUPPLEMENT TO REGULATION Q

ISSUED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Effective January 1, 1957

MAXIMUM RATES OF INTEREST PAYABLE ON TIME AND SAVINGS DEPOSITS BY MEMBER BANKS OF THE FEDERAL RESERVE SYSTEM

Pursuant to the provisions of section 19 of the Federal Reserve Act and section 3 of its Regulation Q, the Board of Governors of the Federal Reserve System hereby prescribes the following maximum rates¹ of interest payable by member banks of the Federal Reserve System on time and savings deposits:

(1) **Maximum rate of 3 per cent.**—No member bank shall pay interest accruing at a rate in excess of 3 per cent per annum, compounded quarterly,² regardless of the basis upon which such interest may be computed,—

(A) On any savings deposit,

(B) On any time deposit having a maturity date six months or more after the date of deposit or payable upon written notice of six months or more,

(C) On any Postal Savings deposit which constitutes a time deposit.

(2) **Maximum rate of 2½ per cent.**—No member bank shall pay interest accruing at a rate in excess of 2½ per cent per annum, compounded quarterly, regardless of the basis upon which such interest may be computed,—

(A) On any time deposit (except Postal Savings deposits which constitute time deposits) having a maturity date less than six months and not less than 90 days after the date of deposit or payable upon written notice of less than six months and not less than 90 days.

(3) **Maximum rate of 1 per cent.**—No member bank shall pay interest accruing at a rate in excess of 1 per cent per annum, compounded quarterly, regardless of the basis upon which such interest may be computed,—

(A) On any time deposit (except Postal Savings deposits which constitute time deposits) having a maturity date less than 90 days after the date of deposit or payable upon written notice of less than 90 days.

¹ The maximum rates of interest payable by member banks of the Federal Reserve System on time and savings deposits as prescribed herein are not applicable to any deposit which is payable only at an office of a member bank located outside of the States of the United States and the District of Columbia.

² This limitation is not to be interpreted as preventing the compounding of interest at other than quarterly intervals, provided that the aggregate amount of such interest so compounded does not exceed the aggregate amount of interest at the rate above prescribed when compounded quarterly.

at 4394

**FEDERAL RESERVE BANK
OF NEW YORK**

December 4, 1956

*To the Member and Nonmember Clearing Banks
of the Second Federal Reserve District:*

We are informed by the Comptroller of the Currency that The Home National Bank of Ellenville, Ellenville, New York, was declared insolvent and placed in the hands of the Federal Deposit Insurance Corporation as receiver today. We understand that items recently forwarded to that bank with our cash letters are being returned unpaid.

ALFRED HAYES,
President.