

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 5578]
November 23, 1964]

Increases in Discount Rates of this Bank
and Four Other Federal Reserve Banks

Increases in Maximum Interest Rates on Savings and Time Deposits
Under Regulation Q

To All Member Banks, and Others Concerned,
in the Second Federal Reserve District:

Following is the text of a statement issued today by the Board of Governors of the Federal Reserve System:

The Federal Reserve System took action today on two fronts to maintain the international strength of the dollar.

The Board of Governors in Washington approved actions by the directors of the Federal Reserve Banks of Boston, New York, Philadelphia, Chicago, and St. Louis increasing the discount rates of those Banks from 3½ per cent to 4 per cent, effective tomorrow (Tuesday, November 24, 1964). The change was the first since July 1963, when Federal Reserve discount rates were increased from 3 to 3½ per cent.

The Board of Governors also increased the maximum rates that member banks are permitted to pay on savings deposits and time deposits—including certificates of deposit—to the following levels:

1. On savings deposits, 4 per cent, regardless of the time the funds have been on deposit. The maximum rates previously permissible were 3½ per cent on savings deposits in the bank for less than one year and 4 per cent on those on deposit for one year or more.
2. On time deposits and certificates of deposit, 4 per cent for maturities of less than 90 days and 4½ per cent for all longer maturities. The maximum rates previously permissible were 1 per cent for maturities of less than 90 days, and 4 per cent for longer maturities.

The actions were taken following a rise in official and market rates in London, where an increase in the bank rate from 5 to 7 per cent was announced by the Bank of England today. They also follow recent advances in rates on the European continent.

The Federal Reserve actions were aimed at countering possible capital outflows that might be prompted by any widening spread between interest rates in this country and the higher rates abroad and also at ensuring that the flow of savings through commercial banks remains ample for the financing of domestic investment.

Enclosed are copies of this Bank's Operating Circular No. 13, setting forth this Bank's new discount rates, and of the Board of Governors' Supplement to Regulation Q, setting forth the maximum rates of interest payable on time and savings deposits by member banks. Additional copies of this circular and the enclosures will be furnished upon request.

ALFRED HAYES,
President.

SUPPLEMENT TO REGULATION Q

SECTION 217.6

MAXIMUM RATES OF INTEREST PAYABLE ON TIME AND SAVINGS DEPOSITS BY MEMBER BANKS

ISSUED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Effective November 24, 1964

Pursuant to the provisions of section 19 of the Federal Reserve Act and § 217.3, 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:

(a) **Maximum rate of 4½ per cent.**—No member bank shall pay interest accruing at a rate in excess of 4½ per cent per annum, compounded quarterly,² regardless of the basis upon which such interest may be computed, on any time deposit having a maturity date 90 days or more after the date of deposit or payable upon written notice of 90 days or more.

(b) **Maximum rate of 4 per cent.**—No member bank shall pay interest accruing at a rate in excess of 4 per cent per annum, compounded quarterly,² regardless of the basis upon which such interest may be computed:

- (1) On any savings deposit, or
- (2) On any time deposit 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.

DISCOUNT RATES

To All Member Banks, and Others Concerned,
in the Second Federal Reserve District:

1. This Bank has established the following new rates, effective November 24, 1964:

A rate of 4 per cent per annum on advances to, and discounts for, member banks under sections 13 and 13a of the Federal Reserve Act.

A rate of 4½ per cent per annum on advances to member banks under section 10(b) of the Federal Reserve Act.

A rate of 5 per cent per annum on advances to individuals, partnerships, and corporations other than member banks under the last paragraph of section 13 of the Federal Reserve Act.

Shown below is the schedule of rates now in effect at this Bank on advances and discounts made under the Federal Reserve Act.

2. This circular supersedes our Operating Circular No. 13, Revised July 17, 1963.

ALFRED HAYES,
President.

Rate Schedule, Effective November 24, 1964

	<i>Per Cent Per Annum</i>
<i>Advances to and discounts for member banks:</i>	
(a) Advances and discounts under sections 13 and 13a of the Federal Reserve Act	4
(b) Advances under section 10(b) of the Federal Reserve Act	4½
<i>Advances to individuals, partnerships, and corporations other than member banks:</i>	
Advances under last paragraph of section 13 of the Federal Reserve Act secured by direct obligations of the United States	5