

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 6227]
October 14, 1968]

AMENDMENT TO REGULATION Q
Foreign Time Deposits

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

Following is the text of a statement issued October 11, 1968, by the Board of Governors of the Federal Reserve System:

The Board of Governors of the Federal Reserve System today issued an amendment to its Regulation Q (Payment of Interest on Deposits), to be effective October 15, 1968, that:

1. Clarifies the authority of member banks to apply any rate of interest on time deposits of foreign monetary authorities, with maturities of not more than two years. The amendment was made pursuant to the enactment of Public Law 90-505, which became effective September 21. The authority granted by the amendment parallels that formerly provided by a statute that expires October 15.

2. Modifies an earlier position of the Board with respect to the payment of interest on such deposits that are transferred by such so-called "exempt" organizations to nonexempt holders. Formerly, a member bank was prohibited from paying interest at a rate exceeding the applicable maximum rate permitted by Regulation Q at the date of issue if a certificate of deposit issued to an exempt organization had been transferred to a nonexempt holder at any time before maturity. Under the amendment, a member bank may now pay the contract rate on a certificate issued to an exempt organization throughout the time it is held by such an organization, even though the holder at maturity is not an exempt organization, if such certificate provides (1) that, in the event of transfer, the date of transfer, attested to in writing by the transferor, shall appear on the certificate, and (2) that the maximum rate limitations of Regulation Q in effect at the date of issuance of the certificate apply to the certificate during such time as it is held by any person other than an exempt organization.

The Board believes the amendment will encourage, to a greater extent than before, foreign monetary authorities to deposit funds in American commercial banks, and thus be of assistance in combating the Nation's balance of payments problem.

Enclosed is a copy of the amendment to Regulation Q referred to in the above statement; additional copies will be furnished upon request.

ALFRED HAYES,
President.

PAYMENT OF INTEREST ON DEPOSITS

AMENDMENT TO REGULATION Q

ISSUED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Effective October 15, 1968, section 217.3(a) is amended, and section 217.3(g) is added, to read as follows:

SECTION 217.3—MAXIMUM RATE OF INTEREST ON TIME AND SAVINGS DEPOSITS

(a) **Maximum rate prescribed from time to time.**—Except in accordance with the provisions of this part, no member bank shall pay interest on any time deposit or savings deposit in any manner, directly or indirectly, or by any method, practice, or device whatsoever. Except as provided in paragraph (g) of this section, no member banks shall pay interest on any time deposit or savings deposit at a rate in excess of such applicable maximum rate as the Board of Governors of the Federal Reserve System shall prescribe from time to time; and any rate or rates which may be so prescribed by the Board will be set forth in supplements to this part, which will be issued in advance of the date upon which such rate or rates become effective.

* * *

(g) **Time deposits of foreign monetary authorities.**—The provisions of paragraph (a) of this section do not apply to the rate of interest that may be paid by member banks on a time deposit, having a maturity of not more than two years, made and owned by a foreign government, a monetary or financial authority of a foreign government when acting as such, or an international financial institution of which the United States is a member. All certificates of deposit issued by member banks to such organizations, on which the contract rate of interest exceeds the applicable maximum under section 217.6, shall provide (1) that, in the event of transfer, the date of transfer, attested to in writing by the transferor, shall appear on the certificate, and (2) that the maximum rate limitations of section 217.6 in effect at the date of issuance of the certificate apply to the certificate for any period during which it is held by a person other than such an organization. Upon presentment of such certificate for payment, the bank may pay to the holder the contract rate of interest on the deposit for the time that the certificate was actually owned by such an organization.

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