

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 6436]
[November 12, 1969]

AMENDMENT TO REGULATION Q

Time Deposits of Foreign Governmental Entities
and International Organizations

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

Enclosed is a copy of an amendment, effective November 5, 1969, to Regulation Q, Interest on Deposits, of the Board of Governors of the Federal Reserve System.

The amendment expands the categories of organizations on whose time deposits member banks may pay rates of interest in excess of those permitted by section 217.7 (Supplement to Regulation Q), and provides an alternative method by which an exempt organization may transfer a certificate of deposit to a nonexempt holder.

At the same time that the amendment was approved, the Board revoked an interpretation (12 CFR 217.128), issued in 1962, in which the Board held that the exemption from the limitations on maximum interest rates was not applicable to the European Investment Bank.

Additional copies of the amendment will be furnished upon request.

ALFRED HAYES,
President.

INTEREST ON DEPOSITS

AMENDMENT TO REGULATION Q

ISSUED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Effective November 5, 1969, section 217.3(g) is amended to read as follows:

SECTION 217.3—INTEREST ON TIME AND SAVINGS DEPOSITS

(g) **Time deposits of foreign governmental entities and international organizations.**—Section 217.7 does not apply to the rate of interest that may be paid by a member bank on a time deposit having a maturity of two years or less and representing funds deposited and owned by (1) a foreign government, or an agency or instrumentality thereof engaged principally in activities which are ordinarily performed in the United States by governmental entities, (2) an international entity of which the United States is a member, or (3) any other foreign, international, or supranational entity specifically designated by the Board as exempt from § 217.7. All certificates of deposit issued by member banks to such entities on which the contract rate of interest exceeds the maximum prescribed under § 217.7 shall provide that (1) in the event of transfer, the date of transfer, attested to in writing by the transferor, shall appear on the certificate, and (2) the maximum rate limitations of § 217.7 in effect at the date of issuance of the certificate shall apply to the certificate for any period during which it is held by a person other than an entity exempt therefrom under the foregoing sentence.⁶ Upon the presentment of such a certificate for payment, the bank may pay the holder the contract rate of interest on the deposit for the time that the certificate was actually owned by an entity so exempt.

⁶ A new certificate not maturing prior to the maturity date of the original certificate may be issued by the member bank to the transferee, in which event the original must be retained by the bank. The new certificate may not provide for interest after the date of transfer at a rate in excess of the applicable maximum rate authorized by § 217.7 as of the date of issuance of the original certificate.