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FEDERAL RESERVE BANK OF NEW YORK

NEW YORK, N. Y. 10045

AREA CODE 212 732-5700

June 25, 1970

INTERPRETATION OF REGULATION Q

Advertising Retail Price of Premiums Offered for Deposits

To State Member Banks in the
Second Federal Reserve District:

The question has been raised with the Board of Governors of the Federal Reserve System whether a member bank may advertise a retail price of merchandise offered as a premium for a deposit.

The Board considers that such advertising might mislead depositors in comparing premiums offered by competing institutions. Retail prices are generally uncontrolled and vary considerably. Permitting advertising of retail prices might result in some institutions advertising the highest price at which the merchandise has been sold to consumers, and the depositor might believe that he will receive a premium of greater value for his deposit than will actually be the case.

Accordingly, the Board would regard an advertisement by a member bank that includes the retail price of premiums offered for deposits as a violation of section 217.6(f) of Regulation Q, which provides that "No member bank shall make any advertisement, announcement, or solicitation relating to the interest paid on deposits that is inaccurate or misleading or that misrepresents its deposit contracts."

A similar letter is being sent by the Comptroller of the Currency to national banks.

The interpretation will be published in the Federal Register and Federal Reserve Bulletin.

ALFRED HAYES,
President