

FEDERAL RESERVE BANK  
OF NEW YORK

[ Circular No. 6565 ]  
June 29, 1970 ]

PAYMENT OF INTEREST ON TIME AND SAVINGS DEPOSITS

Revision of Operating Circular No. 15

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

Enclosed is a copy of Operating Circular No. 15, Revised June 29, 1970, entitled "Payment of Interest on Time and Savings Deposits."

The circular has been revised to take into account (1) the Supplement to Regulation Q of the Board of Governors of the Federal Reserve System, as amended effective June 24, 1970 (sent to you with our Circular No. 6559), which prescribes maximum interest rates on time and savings deposits, (2) conforming changes in General Regulation Part 20 of the Banking Board of the State of New York, effective June 24, 1970, and (3) the amendment to the Board's Regulation Q, effective January 16, 1970 (sent to you with our Circular No. 6473), which clarifies the exemption of time deposits of foreign governmental entities and international organizations from the maximum interest rates prescribed under the regulation.

Additional copies of the enclosure will be furnished upon request.

ALFRED HAYES,  
*President.*

**FEDERAL RESERVE BANK  
OF NEW YORK**

[ Operating Circular No. 15 ]  
[ Revised June 29, 1970 ]

**PAYMENT OF INTEREST ON TIME AND  
SAVINGS DEPOSITS**

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

This circular contains information regarding the maximum rates of interest that member banks in the Second Federal Reserve District may lawfully pay on time and savings deposits.

**Statutory provisions**

1. Section 19 of the Federal Reserve Act (hereinafter referred to as the "Act") provides generally, among other things, that no member bank shall pay any interest on any deposit payable on demand, and that the Board of Governors of the Federal Reserve System shall, by regulation, limit the rate of interest that may be paid by member banks on time and savings deposits;<sup>1</sup> and authorizes the Board of Governors to define the terms used in the section, to determine what shall be deemed a payment of interest, to determine what types of obligations, whether issued directly by a member bank or indirectly by an affiliate of a member bank or by other means, shall be deemed a deposit, and to prescribe regulations to effectuate the purposes of the section.

**Regulation Q**

2. Under authority of the provisions of Section 19 of the Act, the Board of Governors of the Federal Reserve System has issued Regulation Q, entitled "Interest on Deposits." Reference is made to the Regulation for the definitions of terms used in the section and for details of the prohibition against the payment of interest on deposits payable on demand and the limitations upon the payment of interest on time and savings deposits.

**Supplement to Regulation Q**

3. The Supplement to Regulation Q, as amended effective June 24, 1970, prescribes the maximum rates of interest that member banks may pay on time and savings deposits.<sup>2</sup> We will promptly notify our member banks of any change in these rates.

<sup>1</sup> The foregoing provisions are not applicable to any deposit that is payable only at an office of a member bank located outside of the States of the United States and the District of Columbia.

<sup>2</sup> The prescribed maximum rates of interest are not applicable (a) to any deposit specified in footnote 1, or (b) to time deposits having a maturity of two years or less and representing funds deposited and owned by (i) a foreign national government, or an agency or instrumentality thereof engaged principally in activities which are ordinarily performed in the United States by governmental entities, (ii) an international entity of which the United States is a member, or (iii) any other foreign, international, or supranational entity the Board of Governors may designate as exempt. In addition, no maximum rates of interest are presently prescribed for single-maturity time deposits of \$100,000 or more with maturities of 30 through 89 days.

(OVER)

### Member banks limited to maximum rate for State banks

4. Section 24 of the Act provides that the rate of interest that a national banking association may pay upon time deposits or upon savings or other deposits shall not exceed the maximum rate authorized by law to be paid upon such deposits by State banks or trust companies organized under the laws of the State in which such association is located.

5. Section 217.3(c) of Regulation Q provides that the rate of interest paid by a member bank on a time deposit or savings deposit shall not exceed either the applicable maximum rate prescribed in the Supplement to Regulation Q, or the applicable maximum rate authorized by law to be paid upon such deposits by State banks or trust companies organized under the laws of the State in which such member bank is located, whichever may be less.

### Banks located in the State of New York

6. General Regulation Part 20 of the Banking Board of the State of New York, as amended effective June 24, 1970, provides, among other things, for maximum rates of interest that banks and trust companies organized under the laws of the State of New York may pay on time and savings deposits. The maximum rates of interest prescribed by General Regulation Part 20 for time and savings deposits in commercial banks and trust companies organized under the laws of the State of New York are identical with those prescribed by the Board of Governors of the Federal Reserve System in the current Supplement to its Regulation Q.

### Banks located in Connecticut and New Jersey

7. The States of Connecticut and New Jersey have not established maximum rates of interest on time and savings deposits payable by commercial banks and trust companies organized under the laws of those States. However, member banks in such States are subject to Regulation Q.

### Revision of this circular

8. The right is reserved to withdraw, add to, or amend at any time, any of the provisions of this circular.

### Effect of this circular on previous circular

9. This circular supersedes our Operating Circular No. 15, Revised October 24, 1968.

ALFRED HAYES,  
*President.*