FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 7253
October 17, 1973]

REGULATION Q

Interest Rate Ceiling Imposed on

4-Year Consumer-Type Time Deposits

*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 Board of Governors of the Federal Reserve System announced today that effective November 1, member banks will be subject to a 7¼ per cent interest rate ceiling on consumer-type time deposits they issue with a maturity of four years or more and a minimum denomination of $1,000.
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> Last July 5, the Board and other Federal regulatory agencies established as an experiment a new category of savings instrument free of any interest rate ceiling so long as the instrument had a maturity of at least four years in denominations of at least $1,000 but less than $100,000.
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> Legislation recently enacted by Congress requires the regulatory agencies to impose an interest rate limitation on all time deposits issued in denominations of less than $100,000.
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> The Board established an effective date of November 1 for the new ceiling to enable member banks to terminate issuance of the "no-ceiling" time deposit in an orderly manner and to allow sufficient time for banks to adapt their advertising programs to the new ceiling.
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> The Board said member banks should refrain during this interim period from making new offerings of time deposits or initiating promotional programs relating to time deposits whose terms do not conform with the new regulatory provisions.
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> At the same time, the board removed a provision in its regulation that limited the issuance of four-year, no-ceiling certificates to 5 per cent of a banks total time and savings deposits. The effective date of this action is also delayed to November 1. The Board said there was no further need for the 5 per cent limitation since an interest rate ceiling will be reimposed as of that date on four-year certificates.
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> The Boards' actions followed consultation with the Treasury Department, the Federal Deposit Insurance Corporation and the Federal Home Loan Bank Board. The latter two agencies have parallel regulatory authority over the maximum rates of interest that may be paid by insured State-chartered banks that are not members of the Federal Reserve System, Federally insured mutual savings banks, and savings and loan associations. These agencies are announcing similar actions for institutions they regulate.

A copy of a revised Supplement, effective November 1, 1973, giving effect to this change, will be sent to you shortly.

ALFRED HAYES,
President.