

FEDERAL RESERVE BANK  
OF NEW YORK

[ Circular No. 7255 ]  
October 19, 1973

Text of Supplement to Regulation Q  
Effective November 1, 1973

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

Our Circular No. 7253, dated October 17, 1973, contained the text of a statement, issued by the Board of Governors of the Federal Reserve System, announcing that time deposits of \$1,000 or more (but less than \$100,000) with maturities of four years or more will be subject to a 7¼-percent interest rate ceiling, effective November 1, 1973.

Enclosed is a copy of a revised Supplement, effective November 1, 1973, to the Board of Governors' Regulation Q, "Interest on Deposits," which reflects the Board's action. In submitting the Supplement for publication in the *Federal Register*, the Board made the following additional statement:

The Board of Governors has amended its Regulation Q so as to apply a limit on the maximum rates of interest payable by member banks on time deposits of less than \$100,000 with maturities of four years or more. This action was taken pursuant to P.L. 93-123 which provides that the Board and the other Federal financial supervisory agencies shall limit the rates of interest or dividends which are paid on time deposits of less than \$100,000 by institutions regulated by them. Pursuant to the Board's authority under section 19 of the Federal Reserve Act to prescribe rules governing the payment of interest on deposits and § 217.3 of Regulation Q, the Board's action removes time deposits of \$1,000 or more (but less than \$100,000), with maturities of four years or more, from the category of time deposits not subject to an interest rate limitation and provides that, effective November 1, 1973, member banks may pay interest on such time deposits at a rate not to exceed 7¼ percent per year. The Board's action also removes the quantitative limitation on the total amount of such time deposits that may be accepted by member banks.

The effective date of this amendment is deferred until November 1, 1973, to provide member banks an opportunity to terminate in an orderly manner the offering of time deposits of \$1,000 or more, with maturities of four years or more, that are not subject to an interest rate limitation. To assure compliance with P.L. 93-123 at the earliest possible date, however, during the intervening period until November 1, 1973, member banks should refrain from making new offerings of time deposits or initiating promotional programs relating to time deposits whose terms do not conform with the interest rate limitation established by this amendment. The rates of interest paid by member banks on outstanding time deposits of \$1,000 or more with maturities of four years or more, offered pursuant to § 217.7(a)(2) of Regulation Q, as amended effective July 5, 1973, are not immediately affected by this amendment, although such deposits must be modified in the manner provided under § 217.3(b) of Regulation Q.

The effective date was deferred for less than the 30-day period referred to in Title 5, United States Code, section 553(d), because the Board found that the public interest compelled it to make the action effective no later than the date adopted. See § 262.2(e) of the Board's Rules of Procedure (12 CFR 262.2(e)).

The new ceiling will not affect time deposits maturing in four years or more in denominations of less than \$1,000, which will be subject, as before, to a 6½-percent interest rate ceiling.

Additional copies of the enclosure will be furnished upon request.

ALFRED HAYES,  
President.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

SUPPLEMENT TO REGULATION Q

Effective November 1, 1973

SECTION 217.7—MAXIMUM RATES OF INTEREST PAYABLE  
BY MEMBER BANKS ON TIME AND SAVINGS DEPOSITS

Pursuant to section 19 of the Federal Reserve Act and § 217.3 hereof, the Board of Governors of the Federal Reserve System hereby prescribes the following maximum rates<sup>1</sup> of interest per annum payable by member banks of the Federal Reserve System on time and savings deposits:

(a) **Time deposits of \$100,000 or more.** There is no maximum rate of interest presently prescribed on any time deposit of \$100,000 or more.

(b) **Time deposits of less than \$100,000.**

(1) Except as provided in paragraph (a) and subpart (2) of this paragraph, no mem-

<sup>1</sup> The limitations on rates of interest payable by member banks of the Federal Reserve System on time and savings deposits, as prescribed herein, are not applicable to any deposit which is payable only at an office of a member bank located outside the States of the United States and the District of Columbia.

ber bank shall pay interest on any time deposit at a rate in excess of the applicable rate under the following schedule:

<i>Maturity</i>	<i>Maximum per cent</i>
30 days or more but less than 90 days	5
90 days or more but less than 1 year	5½
1 year or more but less than 30 months	6
30 months or more	6½

(2) Member banks may pay interest on any time deposit of \$1,000 or more, with a maturity of four years or more, at a rate not to exceed 7¼ percent.

(c) **Savings deposits.** No member bank shall pay interest at a rate in excess of 5 per cent on any savings deposit.