

**FEDERAL RESERVE BANK  
OF NEW YORK**

[ Circular No. 7513  
November 27, 1974 ]

**GOVERNMENTAL TIME DEPOSITS AT MEMBER BANKS**

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

Following is the text of a statement issued November 26 by the Board of Governors of the Federal Reserve System:

The Board of Governors of the Federal Reserve System today amended its Regulation Q to permit governmental units to hold savings deposits at member commercial banks. The action was taken in conjunction with new legislation, effective tomorrow, providing deposit insurance for public time and savings deposits up to \$100,000.

Additionally, the Board created a new category of time deposit, under Regulation Q, for governmental bodies. The ceiling rates for public deposits at member banks, effective tomorrow, will be:

Passbook savings deposits.....5    percent

Other time deposits

under \$100,000.....7.5 percent

The rate ceiling on time deposits of governmental bodies (as distinct from passbook savings) will be maintained at the highest permissible rate that can be paid on time deposits under \$100,000 by Federally insured commercial banks, mutual savings banks or savings and loan associations. This rate is currently 7.5 percent.

Savings and loan associations previously had authority to accept savings deposits from public bodies. Extension of this authority to member commercial banks will permit public bodies a wider choice of deposit alternatives for public funds. The Board also amended its definition of a savings deposit in Regulation D to conform to the action taken under Regulation Q.

Similar actions are being taken by the Federal Deposit Insurance Corporation and the Federal Home Loan Bank Board for institutions under their jurisdiction.

Copies of amendments to the Board of Governors' Regulation D, "Reserves of Member Banks," and Regulation Q, "Interest on Deposits," reflecting the Board's action, will be sent to you shortly.

ALFRED HAYES,  
*President.*