

FEDERAL RESERVE BANK  
OF NEW YORK

Circular No. 8363  
May 31, 1978

AMENDMENT TO REGULATION Q  
Applicability of 8% Ceiling Extended To  
Both New and Outstanding IRA and Keogh Deposits

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

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

The Board of Governors of the Federal Reserve System today [May 26] announced that member banks will be permitted to pay up to 8% interest on all Individual Retirement and Keogh accounts beginning June 1.

The Board announced on May 11 that the ceiling rate of interest on IRA and Keogh accounts will be raised to 8% on June 1 only for funds deposited on or after that date. The existing ceiling rate of 7 $\frac{3}{4}$ % was to continue to apply to IRA and Keogh deposits made before then.

Since that time the Board has received numerous comments indicating that a "split" rate for IRA and Keogh accounts would cause substantial and costly operational problems for member banks with no offsetting benefits to either consumers or the banks.

In view of these problems, the Board will permit payment of the higher 8% rate, effective June 1, for both new and outstanding time deposits held in IRA and Keogh accounts.

The Board said its action should not be regarded as a precedent for any possible future changes in ceiling rates on outstanding IRA/Keogh accounts.

. . . Similar action is expected to be considered by the Federal Deposit Insurance Corporation for federally insured mutual savings banks and commercial banks that are not members of the Federal Home Loan Bank System, principally federally insured savings and loan associations.

The text of the amendment to Regulation Q will be sent to you as soon as it becomes available. Questions regarding the amendment may be directed to our Consumer Affairs and Bank Regulations Department (Tel. No. 212-791-5919).

PAUL A. VOLCKER,  
*President.*