

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 8379]
June 29, 1978

INTEREST ON DEPOSITS
Technical Amendment to Regulation Q

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

The Board of Governors of the Federal Reserve System has issued an amendment to Section 217.7(b)(1) of its Regulation Q, "Interest on Deposits," to correct a technical deficiency in the recently adopted amendment that created two new categories of time deposits. Enclosed is a revised Supplement to Regulation Q, which incorporates this change and the other outstanding amendments to the Supplement.

Printed below is an excerpt from the *Federal Register* of June 20, regarding the technical amendment to Regulation Q. Questions on this matter may be directed to our Consumer Affairs and Bank Regulations Department (Tel. No. 212-791-5919).

PAUL A. VOLCKER,
President.

[Regulation Q; Docket No. R-0161]

INTEREST ON DEPOSITS
Maximum Rates of Interest Payable

Title 12—Banks and Banking

**CHAPTER II—FEDERAL RESERVE
SYSTEM**

**SUBCHAPTER A—BOARD OF GOVERNORS OF
THE FEDERAL RESERVE SYSTEM**

[Reg. Q; Docket No. R-0161]

PART 217—INTEREST ON DEPOSITS

Maximum rates of Interest Payable

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Technical amendment to final rule.

SUMMARY: This rule change provides a technical amendment in the form of an additional reference added to the Board's Regulation Q that is made necessary as the result of the recently adopted amendment creating two new deposit categories. This

action will add a reference to these two new deposit categories to the paragraph of Regulation Q that sets forth interest rate limits on deposits of less than \$100,000.

EFFECTIVE DATE: June 1, 1978.

**FOR FURTHER INFORMATION,
CONTACT:**

Allen L. Raiken Associate General Counsel or Gilbert T. Schwartz, Senior Attorney, Legal Division, Board of Governors of the Federal Reserve System, Washington, D.C. 20551 (202/452-3000).

SUPPLEMENTARY INFORMATION: On May 11, 1978, the Board amended Regulation Q (12 CFR Part 217) to create two new deposit categories of time deposits that member banks can offer to depositors (43 FR 21435). The rules, which were effective June 1, 1978, permitted member banks 1) to pay interest on time deposits of \$1,000

or more with maturities of eight years or longer at a maximum rate of 7½ percent and 2) to pay interest on time deposits of \$10,000 or more with maturities of exactly six months (26 weeks) at a ceiling rate equal to the auction average discount rate established for United States Treasury bills with maturities of months issued on or immediately prior to the date of deposit. In promulgating the amendments to Regulation Q, the announcement of the Board's action inadvertently failed to amend § 217.7(b)(1) to refer specifically to the provisions of Regulation Q that authorize member banks to offer the new deposit categories. This action provides the necessary amendment to § 217.7(b)(1).

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Board of Governors of the Federal Reserve System

SUPPLEMENT TO REGULATION Q

Effective June 1, 1978

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 rates¹ 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 paragraphs (a), (d), (e), and (f), and subparagraphs (2), (3), and (4) of this paragraph, no member 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 percent</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

¹ 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.

of four years or more, at a rate not to exceed 7¼ percent.²

(3) **Investment Certificates**—Member banks may pay interest on any time deposit of \$1,000 or more, with a maturity of six years or more, at a rate not to exceed 7½ percent.²

(4) Member banks may pay interest on any time deposit of \$1,000 or more, with a maturity of eight years or more, at a rate not to exceed 7¾ percent.²

(c) **Savings deposits.** No member bank shall pay interest at a rate in excess of 5 percent on any savings deposit including savings deposits that are subject to negotiable orders of withdrawal, the issuance of which is authorized by Federal law.

(d) **Governmental unit time deposits of less than \$100,000.** Except as provided in paragraphs (a) and (f), no member bank shall pay interest on any time deposit which consists of funds deposited to the credit of, or in which the entire beneficial interest is held by, the United States, any State of the United States, or any county, municipality, or political subdivision thereof, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, American Samoa, Guam, or political subdivision thereof, at a rate in excess of the highest of any of the permissible rates that can be paid

² The \$1,000 minimum denomination requirement does not apply to time deposits representing funds contributed to an Individual Retirement Account or Keogh (H.R. 10) Plan established pursuant to 26 U.S.C. (I.R.C. 1954) §§ 408, 401.

For this Regulation to be complete, retain:

- 1) Regulation Q pamphlet, effective December 4, 1975.
- 2) Amendments effective March 1, 1976, July 26, 1976, November 8, 1976, March 24, 1977, November 23, 1977, December 1, 1977, July 6, 1978, and November 1, 1978.
- 3) This slip sheet.

PRINTED IN NEW YORK

on time deposits under \$100,000 with maturities in excess of six months (26 weeks) by any Federally insured commercial bank, mutual savings bank or savings and loan association.³

(e) **Individual Retirement Account and Keogh (H.R. 10) Plan deposits of less than \$100,000.** Except as provided in paragraph (a), a member bank may pay interest on any time deposit with a maturity of three years or more that consists of funds deposited to the credit of, or in which the entire beneficial interest is held by, an individual pursuant to an Individual Retirement Account agreement or Keogh (H.R. 10) Plan established pursuant to 26 U.S.C. (I.R.C. 1954) §§ 408, 401, at a rate not in

³ The highest permissible rate is currently 8.00 percent per annum (12 CFR 329.7 and 12 CFR 526.5).

excess of the highest of any of the permissible rates that can be paid on time deposits under \$100,000 with maturities in excess of six months (26 weeks) by any Federally insured commercial bank, mutual savings bank, or savings and loan association.³

(f) **Variable rate time deposits of less than \$100,000.** Member banks may pay interest on any nonnegotiable time deposit of \$10,000 or more, with a maturity of six months (26 weeks), at a rate not to exceed the rate established (auction average on a discount basis) for United States Treasury bills with maturities of six months issued on or immediately prior to the date of deposit. Rounding such rate to the next higher rate is not permitted.