

**FEDERAL RESERVE BANK
OF NEW YORK**

Circular No. 8616
August 7, 1979

REGULATION Q

**—Changes in Early Withdrawal Penalty Rules
—Interest Rate Ceilings Applied to Certain Repurchase Agreements
—Increase in Maximum Interest Payable on Time Deposits
of Less Than 90-Day Maturities**

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

A series of amendments to the regulations governing the payment of interest on deposits have been announced by the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation. In a joint statement, the two agencies announced that the changes, which are effective August 1, have been adopted in order to:

1. Subject to interest rate ceilings repurchase agreements of less than \$100,000 with maturities of 90 days or more. To prevent undue hardship, a three-year phase-out period is provided. During this period, banks may issue such RPs without regard to interest rate ceilings so long as the total amount outstanding does not exceed the amount outstanding on August 1.

To make arrangements for an appropriate phase-out program, member banks with substantial amounts of such RPs outstanding should consult with the Comptroller of the Currency in the case of National banks, with the appropriate Reserve Bank in the case of State member banks, and with the FDIC in the case of insured non-member banks. RPs issued in denominations of less than \$100,000 with maturities of less than 90 days will continue to be exempt from interest rate ceilings in order to facilitate the continued use of such RPs, particularly those traditionally used for cash management purposes by small businesses and local governments.

2. Require waiver of the penalties for early withdrawal of a time deposit in the event of a depositor's death. This waiver will apply to all outstanding time deposits as well as to deposits issued after the effective date.

3. Require banks to waive the penalty for early withdrawal of a time deposit where the depositor has been declared mentally incompetent. This would apply to all outstanding time deposits as well as to deposits issued after the effective date.

4. Authorize banks, with the consent of the depositor, to apply the new early withdrawal penalty that went into effect last July 1 to all time deposits. The minimum penalty is three months loss of interest if the deposit matures in one year or less, and six months loss of interest if the deposit matures in more than one year.

5. Clarify that funds added to an existing time account are subject to the ceiling rate of interest in effect at the time the additional deposit is made.

(Over)

6. Increase from 5 percent to 5-1/4 percent the ceiling rate of interest payable on time deposits with maturities of 30-89 days. This is the same rate that banks may pay on passbook savings accounts. Savings and loan associations and mutual savings banks are generally not permitted to issue time deposits of less than \$100,000 with maturities of less than 90 days.

Similar action is expected to be taken later by the Federal Home Loan Bank Board.

Enclosed is a copy of the amendments to Regulation Q "Interest on Deposits," effective August 1, 1979. Also enclosed is a revised copy of the Supplement to that regulation. Any questions regarding Regulation Q may be directed to our Consumer Affairs and Bank Regulations Department (Tel. No. 212-791-5914).

Additional copies of the enclosures will be furnished upon request.

THOMAS M. TIMLEN,
First Vice President.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

SUPPLEMENT TO REGULATION Q

As amended effective August 1, 1979

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

Pursuant to the provisions of Section 19 of the Federal Reserve Act and § 217.3 of this Part, 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) **Fixed ceiling time deposits of less than \$100,000.** Except as provided in paragraphs (a), (d), (e), (f), and (g), 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 per cent</i>
30 days or more but less than 90 days	5¼
90 days or more but less than 1 year	5½
1 year or more but less than 30 months	6
30 months or more but less than 4 years	6½
4 years or more but less than 6 years	7¼
6 years or more but less than 8 years	7½
8 years or more	7¾

(c) **Savings deposits.** No member bank shall pay interest at a rate in excess of 5¼ per cent on any savings deposit. Provided, however, that no member bank shall pay interest at a rate in excess of

5 per cent on any savings deposit that is 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), (f), and (g), 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 8 per cent.²

(e) **Individual Retirement Account and Keogh (H.R. 10) Plan deposits of less than \$100,000.** Except as provided in paragraphs (a) and (g), 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 excess of 8 per cent.²

(f) **26-week money market time deposits of less than \$100,000.** Except as provided in paragraph (a), a member bank may pay interest on any non-negotiable time deposit of \$10,000 or more, with a maturity of 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 26 weeks issued on or immediately prior to the date of deposit. Rounding such rate to the next higher rate is not permitted. A member bank may not compound interest during the term of this deposit. A member bank may offer this category of time deposit to all depositors.

¹ The limitation 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.

² The ceiling rate on this category is the highest fixed ceiling rate that may be paid on time deposits under \$100,000 by any Federally insured commercial bank, mutual savings bank, or savings and loan association.

(g) **Time deposits of less than \$100,000 with maturities of four years or more.** Except as provided in paragraphs (a) and (b), a member bank may pay interest on any nonnegotiable time deposit with a maturity of four years or more that is issued on or after the first day of every month at a rate not to exceed one and one-quarter per cent below the average 4-year yield for United

States Treasury securities as determined and announced by the United States Department of the Treasury three business days prior to the first day of such month. The average 4-year yield will be rounded by the United States Department of Treasury to the nearest 5 basis points. A member bank may offer this category of time deposit to all depositors.

Board of Governors of the Federal Reserve System

INTEREST ON DEPOSITS

AMENDMENTS TO REGULATION Q

(effective August 1, 1979)

Penalty for Early Withdrawals

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final rule.

SUMMARY: The Board of Governors of the Federal Reserve System has adopted three amendments to the Regulation Q early withdrawal penalty rule. The first amendment permits member banks, with the consent of their depositors, to apply the new early withdrawal penalty rule adopted effective July 1, 1979, to time deposits entered into before July 1, 1979. The second amendment requires member banks to pay a time deposit before maturity without penalty upon the death of any owner when requested to do so by the owner's representative or by any other owner. The third amendment requires member banks to pay a time deposit before maturity without penalty where the owner of the deposit has been adjudicated or declared mentally incompetent.

EFFECTIVE DATE: August 1, 1979.

FOR FURTHER INFORMATION CONTACT: Anthony F. Cole, Senior Attorney (202-452-3711) or Paul S. Pilecki, Attorney (202-452-3281) Legal Division, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

SUPPLEMENTARY INFORMATION: *Application of New Penalty Rule.* Effective July 1, 1979, the Board amended section 217.4(d) of Regulation Q (12 CFR 217.4(d)) to modify the interest forfeiture penalty required to be imposed when funds are withdrawn from time deposits prior to maturity (44 FR 32646). As amended, the minimum required early withdrawal penalty is a for-

feiture of three months interest on the amount withdrawn where the time deposit has an original maturity of one year or less and a forfeiture of six months interest on the amount withdrawn where the time deposit has an original maturity of more than one year. No reduction of interest to the savings rate is required.

When the new penalty rule was adopted, the Board indicated that it would apply only to time deposit contracts entered into on or after July 1, 1979, and to preexisting time deposit contracts that are extended or renewed on or after July 1, 1979. The Board stated that time deposits entered into before July 1, 1979, and not extended or renewed on or after such date, would continue to be subject to the former penalty rule, which required a reduction of the rate of interest paid on the funds withdrawn prior to maturity to no more than the savings rate, less three months interest at the savings rate.

The Board now has determined to permit member banks, with the consent of their depositors, to apply the new early withdrawal penalty to time deposits issued before July 1, 1979, even where those time deposits are not extended or renewed on or after July 1, 1979. The Board is taking this action on the basis of comments received which indicate that applying two early withdrawal penalty rules would be difficult to administer and would result in unnecessary customer confusion and misunderstanding. It is anticipated that this action will enable banks to alleviate operational problems and potential customer confusion and will result in substantial benefits to customers by permitting member banks to apply the new, generally less severe, penalty rule to all outstanding time deposits, with the agreement of the depositor.

For this Regulation to be complete, retain:

- 1) Regulation Q pamphlet, effective December 6, 1978.
- 2) Supplement effective August 1, 1979.
- 3) Amendments effective March 15, 1979 and July 1, 1979.
- 4) Erratum sheet, dated March 1979.
- 5) This slip sheet.

Penalty-free withdrawal in the event of death. Regulation Q currently provides that upon the death of any owner of time deposit funds, a member bank, if it so chooses, may pay all or a portion of such time deposit funds before maturity without imposing the normally required early withdrawal interest forfeiture penalty (12 CFR 217.4(d)). On May 30, 1979, the Board invited public comment on a proposal to amend this provision to require a member bank to pay a time deposit prior to maturity without penalty upon the death of any owner when requested to do so by the owner's representative or by any other owner (44 FR 32396). The period for receipt of public comment on the proposed amendment expired on July 2, 1979. After consideration of the comments and the views expressed therein, the Board has adopted the amendment in the form proposed. The amendment applies to all outstanding time deposits as well as to time deposits issued on or after the effective date. The Board believes that the amendment will more fully effectuate the intent of this exception to the early withdrawal penalty rule, which is to facilitate the administration of estates as well as to ease the financial burden occasioned by the death of a depositor.

Penalty free withdrawal in the event of incompetence. The Board has received requests to amend section 217.4(d) of Regulation Q (12 CFR 217.4(d)) to provide an additional exception to application of the early withdrawal penalty rule where the owner of time deposit funds has been declared or adjudicated mentally incompetent by a court of competent jurisdiction. These requests note that withdrawals of time deposit funds held by individuals adjudicated incompetent frequently are required to provide for the support of such individuals.

The Board does not believe that it is necessary for member banks to apply the early withdrawal interest penalty requirement when a depositor has been adjudicated or declared mentally incompetent. Proceedings in insanity or mental incompetency generally are instituted either to secure commitment to an institution or to obtain the appointment of a guardian or conservator to preserve the assets of an individual judged incapable of managing his or her affairs. An individual adjudicated incompetent may have limited means of support and may need immediate access to his or her time deposit funds for support. The Board believes that the imposition of the early withdrawal interest forfeiture penalty in such circumstances may work a hardship by unnecessarily reducing the funds available for the support and care of such individuals.

The amendment requires member banks to permit penalty-free withdrawals of time deposit funds prior to maturity where the owner of the funds has been declared or adjudicated mentally incompetent by a court or other administrative body of competent jurisdiction when requested to do so by the owner's guardian, conservator, or committee. The amendment applies to all time deposits, including those outstanding on the effective date, issued prior to the date the depositor is declared or adjudicated incompetent. Deposits issued or renewed, automatically or otherwise, on or after such date would be subject to the penalty provisions since a guardian or conservator would have had an opportunity to make an appropriate investment decision based on the status and needs of his or her ward. Under the amendment, member banks should require appropriate documentation that the time deposit owner has been determined to be incompetent at the time the penalty-free withdrawal is requested.

The amendment concerning penalty-free withdrawal in the event of death was published for public comment. In view of the substantial public benefit that will result from adoption of this amendment which more fully effectuates the intent of this exception to the early withdrawal penalty rule, the Board finds that good cause exists for making the amendment effective in less than 30 days.

With respect to the other amendments, in view of the substantial public benefits that will result (1) from permitting member banks to apply the new, generally less restrictive, early withdrawal penalty rule to all time deposits and (2) from facilitating access to time deposit funds to provide for the support of individuals determined to be mentally incompetent, the Board finds that application of the public notice and procedure requirements of 5 U.S.C. § 553 would be contrary to the public interest. Moreover, in view of the foregoing reasons, the Board also has determined that good cause exists for adopting these amendments without deferring the effective date for 30 days.

Therefore, pursuant to its authority under section 19 of the Federal Reserve Act (12 U.S.C. §§ 461 and 371b), effective August 1, 1979, § 217.4(d) of Regulation Q (12 CFR 217.4(d)) is amended to read as follows:

SECTION 217.4 — PAYMENT OF TIME DEPOSITS BEFORE MATURITY

* * *

(d) *Penalty for early withdrawals.* Where a time deposit with an original maturity or required notice period of one year or less, or

any portion thereof, is paid before maturity or before the expiration of the required notice period, a depositor shall forfeit at least three months of interest on the amount withdrawn at the rate being paid on the deposit. If the amount withdrawn has remained on deposit for less than three months, all interest on the amount withdrawn shall be forfeited. Where a time deposit with an original maturity or required notice period of more than one year, or any portion thereof, is paid before maturity or before the expiration of the required notice period, a depositor shall forfeit at least six months interest on the amount withdrawn at the rate being paid on the deposit. If the amount has remained on deposit for less than six months, all interest on the amount withdrawn shall be forfeited.¹¹ Where necessary to comply with the requirements of this paragraph, any interest already paid to or for the account of the depositor shall be deducted from the amount requested to be withdrawn. Any amendment of a time deposit contract that results in an increase in the rate of interest paid or in a reduction in the maturity of the deposit constitutes a payment of the time deposit before maturity. A time deposit may be paid before maturity without a forfeiture of interest as prescribed by this paragraph in the following circumstances:

¹¹ The provisions of this paragraph apply to all time deposit contracts entered into on or after July 1, 1979, and to all existing time deposit contracts that are extended or renewed (whether by automatic renewal or otherwise) on or after such date. The provisions of this paragraph also may be applied, with the consent of the depositor, to all other time deposit contracts entered into before July 1, 1979. All contracts not subject to the provisions of this paragraph shall be subject to the restrictions of § 217.4(d) in effect prior to July 1, 1979, which provided that where a time deposit, or any portion thereof, is paid before maturity, a member bank may pay interest on the amount withdrawn at a rate not to exceed that prescribed in § 217.7 for a savings deposit and the depositor shall forfeit three months of interest payable at such rate. If, however, the amount withdrawn has remained on deposit for three months or less, all interest shall be forfeited.

(1) Where a member bank pays all or a portion of a time deposit representing funds contributed to an Individual Retirement Account or a Keogh (H.R. 10) plan established pursuant to 26 U.S.C. (I.R.C. 1954) §§ 401, 408 when the individual for whose benefit the account is maintained attains age 59½ or is disabled (as defined in 26 U.S.C. (I.R.C. 1954) § 72(m)(7)) or thereafter; or

(2) Where a member bank pays that portion of a time deposit on which Federal deposit insurance has been lost as the result of the merger of two or more Federally insured banks in which the depositor previously maintained separate time deposits, for a period of one year from the date of the merger.

A time deposit must be paid before maturity without a forfeiture of interest as prescribed by this paragraph in the following circumstances:

(1) Where a member bank pays all or a portion of a time deposit upon the death of any owner^{11a} of the time deposit funds; or

(2) Where a member bank pays all or a portion of a time deposit when the owner^{11a} of the time deposit is determined to be legally incompetent by a court or other administrative body of competent jurisdiction.* * *

* * *

^{11a} For the purposes of this provision, an "owner" of time deposit funds is any individual who at the time of his or her death or determination of incompetence has full legal and beneficial title to all or a portion of such funds or, at the time of his or her death or determination of incompetence, has beneficial title to all or a portion of such funds and full power of disposition and alienation with respect thereto.

Deposits as Including Certain Promissory Notes and Other Obligations

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final Rule.

SUMMARY: On May 30, 1979, the Board of Governors of the Federal Reserve System

invited public comment on a proposal to amend its regulations to subject member bank repurchase agreements of less than \$100,000 to the interest rate ceilings of Regulation Q (44 FR 32395). Such repurchase agreements arise from a transfer of direct obligations of, or obligations that are fully

guaranteed as to principal and interest by, the United States or any agency thereof that the bank is obligated to repurchase. The period for receipt of public comment expired on July 2, 1979.

After consideration of the public comments and the views expressed therein, the Board has determined to amend Regulation Q to subject member bank repurchase agreements ("RPs") of United States Government and agency securities of less than \$100,000 issued for terms of 90 days or more to deposit interest rate ceilings of Regulation Q. RPs issued in amounts of less than \$100,000 for terms of less than 90 days continue to be exempt from the interest rate ceilings; however, such agreements may not provide for automatic renewal or extension. In addition, the Board authorized a three-year phase-out period for member banks currently issuing such RPs in amounts of less than \$100,000 with maturities of 90 days or more.

EFFECTIVE DATE: August 1, 1979.

FOR FURTHER INFORMATION CONTACT: Anthony F. Cole, Senior Attorney (202/452-3711), or Paul S. Pilecki, Attorney (202/452-3281), Legal Division, Board of Governors of the Federal Reserve System, Washington, D. C. 20551.

SUPPLEMENTARY INFORMATION: Section 217.1(f)(2) of Regulation Q currently exempts from the definition of deposits any obligations that "evidence an indebtedness arising from a transfer of direct obligations of, or obligations that are fully guaranteed as to principal and interest by, the United States or any agency thereof that the bank is obligated to repurchase." Consequently, these obligations presently are not subject to the Regulation Q interest rate ceilings. This general exemption was established in 1969 in order to facilitate a strong market for U. S. Government and agency securities, to provide banks a means of temporarily financing member bank portfolio positions and to provide a service to customers who desire to invest temporarily in government and agency securities as part of a cash management program. The repurchase agreement exemption was not intended to provide member banks with a device for avoiding interest rate limitations.

After review and consideration of over 50 comments received, the Board has determined to narrow the current exemption from deposit treatment by including within the definition

of deposits in Regulation Q member bank obligations of, or obligations that are fully guaranteed as to principal or interest by, the United States or any agency thereof that the bank is obligated to repurchase where such obligations are in amounts of less than \$100,000 and have maturities of 90 days or more. RPs issued in amounts of less than \$100,000 with maturities of less than 90 days will continue to be exempt from the interest rate ceilings. Such agreements, however, may not be automatically renewed or extended. The Board believes that such an amendment will not affect adversely the practice of providing bank customers, particularly small businesses and local governments, a vehicle for investing temporarily idle funds for cash management purposes while maintaining orderly administration of currently prescribed deposit rate ceilings. This amendment does not affect the current exemption for interbank transactions involving repurchase agreements of less than \$100,000.

In order to prevent undue hardship to member banks with outstanding small denomination RPs with maturities of 90 days or more, the Board has determined it appropriate to provide for a three-year phase-out period from the effective date of the amendment. Member banks currently offering such RPs will be permitted to engage in RP contracts of less than \$100,000 with maturities of 90 days or more without regard to the interest rate limitations of Regulation Q during this period. However, the amount of such RPs on a bank's books at any point in time during the phase-out period shall not be in excess of the amount outstanding on the effective date of the amendment. This action will not affect the rates of interest being paid on RPs issued prior to the effective date of the amendment. Member banks with substantial amounts of such RPs outstanding should consult with the Comptroller of the Currency, in the case of national banks, and with the appropriate Reserve Bank, in the case of State member banks, to make arrangements for an appropriate phase-out program.

The Board's action was taken after consultation with the Federal financial institution regulatory agencies. In order to facilitate the administration of currently prescribed deposit interest rate limitations, the Board finds that good cause exists for making the amendments effective in less than thirty days.

Pursuant to its authority under sections 19(a), (i), and (j) of the Federal Reserve Act (12 U.S.C. §§ 461, 371a and 371b), the Board amends Regulation Q (12 CFR 217), effective August 1, 1979, as follows:

SECTION 217.1 — DEFINITIONS

* * *

(f) *Deposits as including certain promissory notes and other obligations.* For the purposes of this Part, the term "deposits" also includes any member bank's liability on any promissory note, acknowledgment of advance, due bill, or similar obligation (written or oral) that is issued or undertaken by a member bank principally as a means of obtaining funds to be used in its banking business, except any such obligation that:

* * *

(2) Evidences an indebtedness arising from a transfer of direct obligations of, or obligations that are fully guaranteed as to

principal and interest by, the United States or any agency thereof that the bank is obligated to repurchase, and

(a) is issued in denominations of \$100,000 or more; or

(b) is issued in denominations of less than \$100,000, matures in less than 90 days and is not automatically renewable or extended;^{5a}

* * *

^{5a} A member bank with such obligations issued in denominations of less than \$100,000 with maturities of 90 days or more may continue to issue such obligations until August 1, 1982, without regard to this subparagraph. However, the aggregate amount of such obligations outstanding on a member bank's books may not exceed the total of such obligations outstanding on its books on August 1, 1979.

Maximum Rates of Interest Payable on Time Deposits

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final Rule.

SUMMARY: The Board of Governors has determined to increase the ceiling rate of interest payable by member banks on time deposits with maturities of 30 to 89 days from 5 per cent to 5¼ per cent. The Board also has amended Regulation Q to clarify that where additional deposits to an existing time deposit account are permitted, such additions are subject to the ceiling rate of interest in effect on the date the additional deposits are made.

EFFECTIVE DATE: August 1, 1979

FOR FURTHER INFORMATION CONTACT: Anthony F. Cole, Senior Attorney (202/452-3711) or Paul S. Pilecki, Attorney (202/452-3281), Legal Division, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

SUPPLEMENTARY INFORMATION: Regulation Q currently provides that no member bank shall pay interest at a rate in excess of 5 per cent on time deposits with maturities of 30 to 89 days (12 CFR 217.7(b)). This ceiling rate has been 25 basis points below

that in effect for savings accounts since July 1, 1979; prior to the July 1 savings rate increase, the 30- to 89-day time deposit ceiling rate equaled the savings deposit ceiling rate. In order to restore the equality of rates paid by member banks on savings deposits and time deposits with maturities of 30 to 89 days, the Board has increased the ceiling rate of interest that member banks may pay on such time deposits by ¼ per cent to 5¼ per cent, the current savings ceiling rate. The new ceiling rate may be paid only on deposits made or renewed on or after the effective date of the amendment.

Effective July 1, member banks were authorized to offer a new category of time deposit with a maturity of 4 years or more at a ceiling rate tied to the 4-year yield for U.S. Treasury securities. The ceiling rate for new deposits in this category is established monthly; however, the rate paid on outstanding deposits is not affected by the monthly changes in the ceiling rate for new deposits. The Board is aware that some member banks permit customers to deposit additional funds into previously established time deposits of this category. While under current Board policy a member bank may continue to pay the contractually agreed upon rate of interest on an existing 4-year deposit, any deposit to an existing 4-year time deposit received by the member bank *subsequent* to a change in the ceiling rate of interest may not exceed the ceiling rate in effect at the time the additional

deposit is made. Accordingly, the Board has amended section 217.3(a) of Regulation Q to clarify that additional deposits made to *any* existing time deposit account are subject to the rate ceiling in effect at the time the additional deposits are made.

The Board's actions were taken at this time after consultation with the other Federal financial institution regulatory agencies. In order to facilitate the achievement of the previously mentioned objectives as rapidly as possible, the Board finds that application of the notice and public participation provisions of 5 U.S.C. § 553 to these actions would be contrary to the public interest and that good cause exists for making these amendments effective in less than thirty days.

Therefore, effective August 1, 1979, pursuant to its authority under section 19(j) of the Federal Reserve Act (12 U.S.C. § 371b) to prescribe rules governing the payment of interest by member banks on time deposits, the Board amends Regulation Q (12 CFR 217) as follows:

SECTION 217.3—INTEREST ON TIME AND SAVINGS DEPOSITS

(a) *Maximum rate.****The maximum rate of interest that may be paid by a member bank on an additional deposit to any existing time deposit shall not exceed the maximum rate that may be paid in accordance with

§ 217.7 on the date the additional deposit is made.

* * *

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

* * *

(b) *Fixed ceiling time deposits of less than \$100,000.* Except as provided in paragraphs (a), (d), (e), (f), and (g), no member bank shall pay interest on any time deposit at a rate in excess of the applicable rate under the following schedule:

<u>Maturity</u>	<u>Maximum per cent</u>
30 days or more but less than 90 days	5¼
90 days or more but less than 1 year	5½
1 year or more but less than 30 months	6
30 months or more but less than 4 years	6½
4 years or more but less than 6 years	7¼
6 years or more but less than 8 years	7½
8 years or more	7¾

* * *