

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 9216]
December 15, 1981

Information on Ceiling Rates for ASCs, MMCs, and SSCs

*To All Depository Institutions, and Others Concerned,
in the Second Federal Reserve District:*

New Recorded Information

The Consumer Affairs and Bank Regulations Department has established a new multiple-line telephone information number for matters relating to the Depository Institutions Deregulation Committee (DIDC). The number is (212) 791-6125. The recording at this number provides information on recent DIDC actions, summaries of proposals out for public comment, and the ceiling interest rates authorized on deposits. The message will be updated as soon as possible after DIDC actions.

A much shorter recorded message on the most recent changes in interest rate ceilings will continue to be available at Tel. No. 212-791-6800. This information will be updated as soon as the appropriate U.S. Treasury auction results and yield information are known, typically on the following schedule:

Monday evenings

26-week Money Market Certificates

2½ to 4 year Small Saver Certificates (alternate weeks)

Thursday evenings

All Savers Certificates (every fourth week)

Ceiling Rate Calculation on Money Market Certificates – Four Week Average

Some financial institutions in the Second District have advertised interest rates on Money Market Certificates that exceed the rates permitted by regulation. These errors appear to be due to erroneous calculation of the four-week average.

Our Circular No. 9185, dated November 13, 1981, contained a technical amendment to the DIDC's rules regarding the calculation of interest on non-negotiable time deposits of \$10,000 or more, with a maturity of 26 weeks. In part, this amendment clarifies the DIDC's intent that *rounding any rate to the next higher rate is not permitted*.

In order to illustrate the four-week-average method of computing the ceiling rate, we offer the following example, assuming auction rates during a hypothetical four-week period of 9.013, 9.324, 8.826, and 8.696. The ceiling rate would be computed as the sum of the auction rates ($9.013 + 9.324 + 8.826 + 8.696 = 35.859$), divided by four (8.9648), but truncated to three decimal places (8.964). Adding 25 basis points results in the hypothetical ceiling of 9.214 percent. (The current ceiling rate, effective December 15, 1981 through December 21, 1981, is 11.845 and is based upon the latest auction rate plus 25 basis points.)

Questions on these and other matters relating to the DIDC may be directed to our Regulations Division (Tel. No. 212-791-5356) during normal business hours.

ANTHONY M. SOLOMON,
President.