

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. 9611]
[January 12, 1984]

INTEREST ON DEPOSITS

Technical Amendments Conforming Regulation Q to Recent DIDC Actions

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

The following statement has been issued by the Board of Governors of the Federal Reserve System:

The Federal Reserve Board has revised its Regulation Q — Interest on Deposits — to conform the regulation to recent actions of the Depository Institutions Deregulation Committee (DIDC).

The modifications to Regulation Q, effective January 1, 1984, deal with actions of the DIDC at its June 30 and September 30 meetings, concerning the removal (effective December 1, 1983) of the \$2,500 minimum denomination on money market deposit accounts, "Super NOW" accounts, and 7- to 31-day accounts for IRA and Keogh depositors. The revision also phases out these minimums for other depositors effective January 1, 1985 and January 1, 1986. The modifications remove the differential between the interest rate ceiling on passbook savings accounts and 7- to 31-day deposits under \$2,500 at both thrifts and commercial banks, effective January 1, 1984, making the ceiling for all such accounts 5½ percent.

Enclosed is the text of the technical amendments to Regulation Q. Questions may be directed to our Regulations Division (Tel. No. 212-791-5914).

ANTHONY M. SOLOMON,
President.

INTEREST ON DEPOSITS

TECHNICAL AMENDMENTS TO REGULATION Q

(effective January 1, 1984)

12 CFR Part 217

[Docket No. R-0497]

Regulation Q, Interest on Deposits; Technical Amendments

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Technical amendments.

SUMMARY: The Board has amended 12 CFR Part 217 (Regulation Q—Interest on Deposits) to incorporate rules of the Depository Institutions Deregulation Committee ("DIDC"), adopted pursuant to the Depository Institutions Deregulation Act of 1980 (Title II of Pub. L. 96-221). The amendments to Regulation Q are technical in nature and conform the Board's rules to those of DIDC.

EFFECTIVE DATES: January 1, 1984. Other conforming amendments are effective January 1, 1985, and January 1, 1986. See Supplementary Information below.

FOR FURTHER INFORMATION CONTACT: Gilbert T. Schwartz, Associate General Counsel (202/452-3625), Paul S. Pilecki, Senior Counsel (202/452-3281), or John Harry Jorgenson, Senior Attorney (202/452-3778), Legal Division, Board of Governors of the Federal Reserve System, Washington, D.C., 20551.

SUPPLEMENTARY INFORMATION: The Depository Institutions Deregulation Act of 1980 (Title II of Pub. L. 96-221) transfers to the DIDC the authority conferred by section 19(j) of the Federal Reserve Act (12 U.S.C. 371b) upon the

Board (and similar authority of the Federal Deposit Insurance Corporation and the Federal Home Loan Bank Board which are contained in other statutes) to establish rules concerning the payment of interest on deposit accounts. The Board has amended its Regulation Q to bring it into conformity with actions taken by the DIDC at its meetings of June 30, 1983 (48 FR 38455 (August 24, 1983)) and September 30, 1983 (48 FR 50065 (October 31, 1983)). The following table presents the regulatory provisions that have been affected by the DIDC's actions.

DIDC rule	Regulatory provision amended
1204.103—Penalty for Early withdrawals.	217.4(d)(1)(iii), (d)(6).
1204.108—Maximum rates of interest payable by depository institutions on deposits subject to negotiable orders of withdrawal.	217.7(c).
1204.121—Seven to 31-day time deposits.	217.1(h), 217.7(b), (e).
1204.122—Money market deposit account.	217.7(g).
1204.124—Maximum rate of interest payable on savings deposits and time deposits of less than \$2,500 with maturities of Seven to 31 days.	217.7(b), (c).

Because of the technical nature of the amendments conforming Regulation Q to actions of the DIDC, the Board finds that application of the notice and public participation provisions of 5 U.S.C. § 553 to these actions is unnecessary and contrary to the public interest and that good cause exists for making these

actions effective on the dates indicated.

List of Subjects in 12 CFR Part 217

Advertising, Banks, banking, Federal Reserve System, Foreign banking.

Pursuant to its authority under section 19 of the Federal Reserve Act (12 U.S.C. 461, 371a, and 371b), the Board amends 12 CFR Part 217, effective on the dates indicated, as follows:

1. Effective January 1, 1984:

§ 217.4 [Amended]

a. Section 217.4 is amended by removing paragraphs (d)(1)(iii) (D) and (E) and in paragraph (d)(6) by removing "subparagraphs (1)(iii)(E) and" and inserting "paragraph" in its place; and

b. Section 217.7 introductory text is amended by revising paragraphs (b), (c)(1), (c)(2), and (c)(2)(ii)(A); revising paragraph (e)(1); and revising paragraph (g)(1), as follows:

§ 217.7 Supplement: Maximum rates of interest payable by member banks on time and savings deposits

(b) *Time deposits of less than \$2,500 with original maturities or required notice periods prior to withdrawal of seven to 31 days.* Except as provided in paragraphs (d) and (e), no member bank shall pay interest on any time deposit of less than \$2,500 with an original maturity or required notice period prior to withdrawal of 31 days or less at a rate in excess of 5½ percent.

(c) *Savings deposits.* (1) Except as provided in paragraph (g), no member bank shall pay interest at a rate in

excess of 5½ percent on any savings deposit.

(2) A member bank may pay interest on any deposit or account subject to negotiable or transferable orders of withdrawal that is authorized pursuant to 12 U.S.C. 1832(a) or a deposit or account described in section 217.5(c)(2)—

* * * * *

(ii) (A) at any rate agreed to by the depositor on any deposit or account subject to negotiable or transferable orders of withdrawal that is authorized pursuant to 12 U.S.C. 1832(a) subject to the conditions of this paragraph (c)(2) with an initial balance and an average deposit balance (as computed in paragraph (c)(2)(ii)(B) of this section) of no less than \$2,500. However, for an account with an average balance of less than \$2,500, a member bank shall not pay interest in excess of the rate specified in paragraph (c)(2)(i) of this section for the entire computation period, as described in paragraph (c)(2)(ii)(B). Further, a member bank may pay interest at any rate agreed to by the depositor on an account issued under this paragraph (c)(2)(ii), regardless of amount, if that account 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) 219, 401, 408 and related provisions.

* * * * *

(e) *Seven- to 31-day time deposits.* (1)(i) Notwithstanding paragraph (d), a member bank may pay interest at any rate as agreed to by the depositor on any time deposit with a maturity or required notice period of not less than seven days nor more than 31 days—

(A) in an amount of \$2,500 or more; or

(B) notwithstanding paragraph (b), if such funds are deposited to the credit of, or in which the entire beneficial interest in such funds 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) 219, 401, 408 and related provisions.

(ii) However, except as provided in paragraph (e)(1)(i)(B), a member bank shall not pay interest in excess of the ceiling rate for regular savings deposits or accounts specified in paragraph (c)(1) of this section on any day the balance in a time deposit issued under this paragraph is less than \$2,500.

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(g) *Money market deposit accounts.*

(1)(i) Notwithstanding paragraph (c), a member bank may pay interest at any rate on a deposit account as described in this paragraph—

(A) with an initial balance of no less than \$2,500 and an average deposit balance (as computed in paragraph (g)(2)) of no less than \$2,500; or

(B) 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) 219, 401, 408 and related provisions.

(ii) However, except as provided in paragraph (g)(1)(i)(B), for an account with an average balance of less than \$2,500, a member bank shall not pay interest in excess of the ceiling rate specified for NOW accounts under paragraph (c)(2)(i) of this section for the entire computation period, as described in paragraph (g)(2) of this section.

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§§ 217.1 and 217.7 [Amended]

2. Effective January 1, 1985:
§§ 217.1(h)(1)(iii)(B) and 217.7 are amended by removing "\$2,500"

wherever it appears and inserting "\$1,000" in its place.

3. Effective January 1, 1986:

a. Section 217.1(h)(1)(iii) is amended by removing "(A)", inserting a period after the phrase "seven days", and removing "or" and paragraph (B); and

b. Section 217.7 is amended by: Removing the text of paragraph (b) and inserting "[Reserved]" in its place; by removing paragraph (g)(8); and by revising paragraphs (c)(2), (e)(1), and (g)(1) to read as follows:

§ 217.7 Supplement: Maximum rates of interest payable by member banks on time and savings deposits

* * * * *

(c) *Savings deposits.* * * * *

(2) A member bank may pay interest on any deposit or account—

(i) described in § 217.5(c)(2) at a rate not to exceed 5¼ percent; or (ii) subject to negotiable or transferable orders of withdrawal that is authorized pursuant to 12 U.S.C. 1832(a) at any rate agreed to by the depositor.

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(e) *Seven- to 31-day time deposits.* (1) Notwithstanding paragraph (d), a member bank may pay interest at any rate as agreed to by the depositor on any time deposit with a maturity or required notice period prior to maturity of not less than seven days nor more than 31 days.

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(g) *Money market deposit accounts.*

(1) Notwithstanding paragraph (c), a member bank may pay interest at any rate on a deposit account as described in this paragraph.

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By order of the Board of Governors,
December 19, 1983.

William W. Wiles,
Secretary of the Board.

[FR Doc. 83-34157 Filed 12-23-83; 8:45 am]