

ATCR No 9667  
April 9, 1984

To the Addressee:

Enclosed is a copy of Operating Circular No. 15, Revised April 5, 1984. The circular, last issued on May 2, 1977, has been updated to reflect the provisions of the Depository Institutions Deregulation Act of 1980.

Questions thereon may be directed to the Regulations Division of this Bank (Tel. No. 212-791-5914).

Circulars Division  
FEDERAL RESERVE BANK OF NEW YORK

**FEDERAL RESERVE BANK  
OF NEW YORK**

At Cir. 9667

[Operating Circular No. 15]  
Revised April 5, 1984

**PAYMENT OF INTEREST ON TIME AND  
SAVINGS DEPOSITS**

*To All Member Banks in the  
Second Federal Reserve District:*

This circular contains information regarding the maximum rates of interest that member banks in the Second Federal Reserve District may lawfully pay on time and savings deposits.

**Statutory provisions**

1. Section 203 of the Depository Institutions Deregulation Act of 1980 ("DID Act")<sup>1</sup> transferred to the Depository Institutions Deregulation Committee ("Deregulation Committee")<sup>2</sup> the authority of the Board of Governors of the Federal Reserve System pursuant to Section 19(j) of the Federal Reserve Act (the "FR Act") to prescribe rules governing the payment of interest and dividends and the establishment of classes of deposits or accounts, including limitations on the maximum rates of interest and dividends that may be paid on deposits and accounts by member banks.<sup>3</sup> The Deregulation Committee is charged with eliminating the limitations on the maximum rates of interest and dividends that may be paid on deposits not later than March 31, 1986.

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<sup>1</sup> 12 U.S.C. §§ 3501 *et seq.*

<sup>2</sup> Committee members are: Secretary of the Treasury, Chairman of the Board of Governors, Chairman of the Board of Directors of the Federal Deposit Insurance Corporation ("FDIC"), Chairman of the Federal Home Loan Bank Board ("FHLBB"), and Chairman of the National Credit Union Administration Board. The Comptroller of the Currency is a nonvoting member.

<sup>3</sup> The similar authorities of the FDIC in Section 18(g) of the Federal Deposit Insurance Act ("FDI Act") (12 U.S.C. § 1828(g)) and the FHLBB in Section 5(B)(a) of the Federal Home Loan Bank Act ("FHLB Act") (12 U.S.C. § 1425b(a)) and the authority conferred by Section 102 of Public Law 94-200 (12 U.S.C. § 461 note) were also transferred to the Deregulation Committee. The latter refers to the elimination or reduction of the interest rate differential between banks and thrifts on savings deposits.

2. The Board retains the authority of Section 19(a) of the FR Act to define the terms used in Section 19, to determine what shall be deemed a payment of interest, to determine what types of obligations, whether issued directly by a member bank or indirectly by an affiliate of a member bank or by other means (and regardless of the use of the proceeds), shall be deemed a deposit, and to prescribe regulations to effectuate the purposes of the section.<sup>4</sup> Section 19(i),<sup>5</sup> which provides generally, among other things, that no member bank shall pay interest on any deposit payable on demand, remains in effect.

### **Regulation Q**

3. Under authority of the provisions of Section 19 of the FR Act, the Board of Governors has issued Regulation Q, entitled "Interest on Deposits." Provisions of Regulation Q promulgated under authority transferred to the Deregulation Committee remain in effect until amended, repealed, or superseded by a regulation of the Deregulation Committee. Regulation Q is amended from time to time to reflect actions of the Deregulation Committee. Reference is made to the Regulation for the definitions of terms used in the section and for details of the prohibition against the payment of interest on deposits payable on demand and the limitations on the payment of interest on time and savings deposits.

### **Supplement to Regulation Q**

4. The Supplement to Regulation Q (Section 217.7 of the Regulation), as amended from time to time, prescribes the maximum rates of interest that member banks may pay on time and savings deposits. We will promptly notify our member banks of any change in these rates. Most classes of deposits are not subject to interest rate limitations as of the date of this circular.

### **Member banks limited to maximum rate for State banks**

5. Regulation Q provides that the rate of interest paid by a member bank on a time deposit or savings deposit shall not exceed either the applicable maxi-

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<sup>4</sup> None of the provisions of Section 19 of the FR Act cited in this operating circular is applicable to any deposit that is payable only at an office of a member bank located outside the States of the United States.

<sup>5</sup> On March 31, 1986, the authority contained in Section 19(g) of the FDI Act, Section 5(B)(a) of the FHLB Act, and Section 19(j) of the FR Act to prescribe limitations on the maximum rates of interest and dividends that may be paid on accounts will terminate. Pursuant to Section 326(b) of the Garn-St Germain Depository Institutions Act of 1980, the bank/thrift differential on savings accounts was eliminated effective January 1, 1984. 12 U.S.C. § 461 note, 12 U.S.C. § 3503 note.

mum rate prescribed in the Supplement to Regulation Q, or the applicable maximum rate authorized by law to be paid upon such deposits by State banks or trust companies organized under the laws of the State in which such member bank is located, whichever may be lower.

#### **Banks located in the State of New York**

6. General Regulation Part 20 of the Banking Board of the State of New York provides, among other things, for maximum rates of interest that banks and trust companies organized under the laws of the State of New York may pay on time and savings deposits. The maximum rates of interest prescribed by General Regulation Part 20 for time and savings deposits in commercial banks and trust companies organized under the laws of the State of New York are identical to those prescribed by the Board of Governors of the Federal Reserve System in the current Supplement to Regulation Q.

#### **Banks located in Connecticut and New Jersey**

7. The States of Connecticut and New Jersey have not established maximum rates of interest on time and savings deposits payable by commercial banks and trust companies organized under the laws of those States. However, member banks in such States are subject to Regulation Q.

#### **Revision of this circular**

8. The right is reserved to withdraw, add to, or amend at any time, any of the provisions of this circular.

#### **Effect of this circular on previous circular**

9. This circular supersedes our Operating Circular No. 15, Revised May 2, 1977.

ANTHONY M. SOLOMON,  
*President.*