To All Commercial Banks, Mutual Savings Banks, and Savings and Loan Associations in the Second Federal Reserve District, and Others Concerned:

The United States District Court for the District of Columbia issued an order on July 31, 1981, that invalidates Section 1204.115 of the regulations of the Depository Institutions Deregulation Committee (DIDC), sent to you with our Circular No. 9109, dated July 20, 1981. That regulation, which was to go into effect on August 1, would have allowed depository institutions subject to the jurisdiction of the DIDC to accept time deposits in maturities of four years or more free of interest rate ceilings.

As a result of that order, institutions subject to DIDC interest rate ceilings may not accept time deposits in maturities of four years or more carrying interest rates greater than the following amounts:

For commercial banks:
- 7\% for deposits with maturities of four years or more but less than six years;
- 7\% for deposits with maturities of six years or more but less than eight years; and
- 7\% for deposits with maturities of eight years or more.

For thrift institutions:
- 7\% for deposits with maturities of four years or more but less than six years;
- 7\% for deposits with maturities of six years or more but less than eight years; and
- 8\% for deposits with maturities of eight years or more.

These ceiling rates are applicable to deposits received on or after August 1, 1981, and to deposits received prior to that date on the understanding that they would be transferred to four-year (or longer term) time deposits on August 1. They will remain in effect unless the decision of the District Court is reversed on appeal or the DIDC enacts an amendment to the interest rate regulations. Institutions should be aware that the issuance of deposits in excess of these ceilings is considered a violation of interest rate regulations and subjects issuing institutions to the penalties provided by law.

The DIDC regulation (Section 1204.106) removing the "cap" on the ceiling for Small Saver Certificates with initial maturity of at least two-and-one-half years and less than four years is not affected by the court decision. Accordingly, that regulation is in effect as of August 1, 1981. The ceiling rate in effect for the period August 4 to August 17, 1981, is 15.55 percent for commercial banks and 15.80 percent for thrift institutions. This ceiling changes as of alternate Tuesdays; for current information on these rates, you may call Tel. No. 212-791-5927 or 6800.

Questions regarding these matters may be directed to our Consumer Affairs and Bank Regulations Department (Tel. No. 212-791-5910) or our Legal Department (Tel. No. 212-791-5031 or 5222).

Anthony M. Solomon, President.