



# Governor Gramley Speaks at El Paso Meeting

Federal Reserve Board Governor Lyle E. Gramley recently spoke to the El Paso Branch joint board meeting regarding monetary policy, the economy and inflation. Gramley told the audience at the El Paso Civic Center "that we have much to gain by sticking with our present course of action, by staying with policies of monetary restraint. And, we have much to lose indeed by turning back to the old ways of doing things."

Before the group, made up mostly of members of the El Paso financial community, Gramley speculated on the course of inflation, expecting it to come down. As inflation continues to moderate, he said, "it's going to help to bring interest rates down and to set the stage for economic recovery."

"We feel at the Federal Reserve that we cannot turn back. We feel the threshold of a major breakthrough in interest rates has been made. Inflation



*Governor Lyle E. Gramley believes the Fed's monetary policy actions are working.*

has fallen down more so than I and most others have expected. We never thought it possible. We have achieved

substantial progress over inflation by sticking to our course of action and we see no reason to accept less."

## Transfers and Settlements Now Subject to New Prices

The wire transfer and net settlement services of the Dallas Fed were subject to new prices effective April 29. Wire transfer involves sending funds between the Federal Reserve accounts of financial institutions, while net settlement is a book-entry service used to account for check clearings which have taken place outside the Federal Reserve System.

The fee schedule for the wire transfer service involves one structural change over that of last year. The charge for a basic transfer is now split between the originator and the receiver of the transfer, reflecting the benefit to both parties of the service. Previously, the originator bore the cost of each transfer.

The new transfer prices are 65 cents to both the originator and the receiver of each wire transfer. In 1981, the originator was charged 80 cents per

transfer. In addition, a \$3.50 surcharge is imposed to each originator of a wire transfer offline from the Fed's communications network. This surcharge was \$2.70 originally. A surcharge of \$2.25, up from \$1.80, is charged for telephone advice of an incoming transfer when requested by an offline institution.

The new net settlement prices are \$1.30 for each settlement entry, up from 80 cents last year. There is an additional charge of \$5.00 for an offline origination of a settlement entry, up from \$2.70. The surcharge for telephone advice of a settlement entry is \$2.25, up from \$1.80.

The new prices are the same at each Fed office nationwide and generally reflect increased System costs in providing the services. Pricing for wire transfer and net settlement was originally implemented in January, 1981.

## Tornados Evoke Lift of Penalty

The Federal Reserve Board of Governors recently granted a temporary suspension of the Regulation Q penalty for early withdrawal of time deposits. This action was taken in response to the tornados that hit Lamar County, Texas. The Board's action permits a member bank, wherever located, to pay a time deposit before maturity without imposing the penalty. However, the depositor must provide a signed statement fully describing the property or other financial loss as a result of the storms.

The suspension has been made retroactive to deposits withdrawn on or after April 8, 1982 and will remain in effect until 12:00 midnight October 8, 1982.



# Four CDs Feature Market Interest Rates

The recently-authorized three-month certificates of deposit and the new ceilingless time deposit category (see front page article) are measures representing part of an overall deregulation plan being implemented by the Depository Institutions Deregulation Committee (DIDC). The DIDC was established to supervise the phaseout and ultimate elimination of interest rate ceilings on deposit accounts as required by the Monetary Control Act of 1980. In doing so, the committee has the authority to create account categories which are not subject to interest rate ceilings or to create new deposit instruments with ceilings set at market interest rates.

In addition to the new 3½-year or longer deposit category which does not have an interest rate ceiling, there currently exist four time deposit instruments which have ceilings tied to market interest rates. These are the new three-month (91-day) CDs, the six-month (182-day) money market CDs, the 2½ to less than 3½-year small saver CDs, and the one-year all savers CDs. The major features currently in effect for each of these instruments are summarized in the table accompanying

ing this article.

Each of the instruments has an interest rate ceiling tied directly to a market interest rate or yield calculation. The exception is the ceiling for the six-month CD, which is calculated using a four-week moving average if this average is greater than the current week's T-bill rate. The moving average is the average of the previous four auction rates for 182-day T-bills, including the current week's rate.

A differential between the interest rates banks and thrift institutions may pay currently exists for two of the instruments, the three-month CDs and the small saver CDs. For each of these certificates, the bank rate is 25 basis points below the thrift rate.

The all savers CD is unique in that it includes tax exempt provisions and may only be issued through December 31, 1982. Because of this, the CD is no longer renewable upon maturity. The yield of the all savers CD must be 70% of the current rate for 52-week T-bills. This does not represent an upper ceiling as do the other interest rate calculations.

In addition to these four instruments, the DIDC establishes in-

terest rate ceilings for all other classifications of deposits as well. These include NOW accounts, savings accounts, regular time deposits, government deposits, IRA or Keogh account deposits and deposits over \$100,000. All interest rate ceilings for member banks are outlined by the Federal Reserve's Regulation Q.

The Dallas Fed operates a 24-hour telephone recorded message service which provides the current week's interest rate ceilings. Weekly rate changes are announced on Mondays after 6 p.m. The telephone numbers used to access the recorded message are listed below.

## Telephone Numbers for Interest Rate Recorded Message

(214) 651-6177 Dallas  
 (214) 263-1093 Metro  
 (800) 442-7390 Texas  
 (800) 527-9208 National

	3-month Money Market Certificates	6-month Money Market Certificates	2½ to less than 3½-year Small Saver Certificates	1-year All Savers Certificates
<b>Ceiling tied to</b>	91-day T-bill rate	182-day T-bill rate	2½-year yield on Treasury securities	52-week T-bill rate
<b>How determined</b>	Banks: rate minus .25 Thrifts: rate	Rate plus .25 or 4-week average plus .25	Banks: yield minus .25 Thrifts: yield	70% of rate
<b>How often changed</b>	Every week	Every week	Every two weeks	Approximately every four weeks
<b>When announced</b>	Monday after 6 p.m.	Monday after 6 p.m.	Monday after 6 p.m.	Thursday after 6 p.m.
<b>Effective date</b>	Tuesday following	Tuesday following	Tuesday following	Sunday following
<b>Minimum investment</b>	\$7500	\$10,000	None	None, but a required \$500 denomination
<b>Early withdrawal penalty</b>	Loss of earned interest	Loss of three month's interest	Loss of six month's interest	Loss of three month's interest
<b>Compounding allowed</b>	No	No	Yes	Yes, if rate adjusted to equivalent yield
<b>Automatically renewable</b>	Yes	Yes	Yes	No
<b>Negotiability allowed</b>	Yes	No	No	No

# Dallas Fed Hosts Economic Conference

In mid-April, the Dallas Reserve Bank worked in cooperation with the Center for Economic Education at North Texas State University to host an educational conference for teachers entitled "Money and the Economy in the Eighties". Approximately forty teachers representing the Dallas, Arlington, Denton, Irving, Lewisville, Plano and Richardson Independent School Districts as well as Weatherford Junior College were in attendance.

The program for the all-day conference included such topics as "Fundamentals of the Market Economy" and "Economic Instabilities and Strategies for Survival". Among the guest speakers were economists James Hoehn and Pat Lawler from the Bank's Research Department.



*Conference participants learn to play the game "You're the Banker".*

FEDERAL RESERVE BANK OF DALLAS  
STATION K  
DALLAS, TEXAS 75222  
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