CEO Day scheduled for Aug. 9

All-day program for chief executives

The Bank is planning an all-day program August 9 in St. Louis for the chief executive officers of member banks in the Little Rock, Louisville and Memphis zones. The program will focus on several topics of current interest in the banking industry.

Almost 150 chief executive officers attended the Bank's CEO Day held last August for member bankers in the St. Louis zone.

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Automatic transfer: how it will work

Banks may begin offering service Nov. 1

The Board of Governors has amended Regulation Q to permit banks to offer individual customers the option of arranging for the automatic transfer of funds from their savings to their checking accounts.

Member banks may offer the new service beginning November 1. Automatic transfer service may not be offered to business and corporate customers or to governmental units.

Automatic transfers may be made to cover checks and prevent overdrafts or to maintain a minimum balance in checking accounts. Arrangements for automatic transfers must be made in advance by the customer.

No penalty required for transfers

Initially, banks will not be required to impose a penalty for automatic transfers. However, developments in the financial services market relating to this provision will be carefully monitored by the Board and the provision will be reconsidered no later than November 1, 1979, one year after the effective date of the amendment.

The amendment does not affect existing arrangements between thrift institutions and member banks for the automatic transfer of funds from thrift institutions to checking accounts in commercial banks.

The Board has had the amendment to Regulation Q under consideration since it was first proposed in March 1976. The proposal was revised and issued for further comment in February of this year.

Thirty days' notice requirement

Banks that choose to offer automatic funds transfer service are required to call to the attention of depositors the fact that—as in the past—they reserve the right to require 30 days' notice of withdrawals from savings accounts.

New time certificates permitted

Higher permissible interest rates

Banks may now offer customers two new time certificates at interest rates higher than rates permitted in the past.

Money market certificate

The ceiling rate on one of the new instruments, a nonnegotiable short-term money market certificate, will equal the average yield on six-month Treasury bills issued in the Treasury's most recent weekly auction. The money market certificates must be issued in minimum denominations of $10,000 with a six-month maturity.

Treasury bills are normally auctioned on Monday and issued on Thursday. The ceiling rate at which new money market certificates may be issued will be adjusted each week effective on the day the new six-month Treasury bills are issued.

Eight-year certificate

The other new instrument is an eight-year certificate with a fixed maximum rate of interest of 7-3/4 percent. The eight-year certificates may be issued in minimum denominations of $1,000.

The new instruments were created by joint action of the Federal Home Loan Bank Board, the FDIC and the Federal Reserve Board. Ceiling rates savings and loan associations may pay on the instruments are a quarter of a percent higher than those banks may pay. The three bodies also moved the maximum rate that may be paid on new deposits of governmental units and on IRA and Keogh Accounts with three year maturity to 8 percent, the highest rate a federally insured bank or savings and loan may pay on time deposits with maturities of more than six months. Rates on existing governmental, IRA and Keogh accounts may not be increased until the accounts mature.

Both the money market certificates and the new long-term certificates are subject to existing penalties for early withdrawal.

No change was made in maximum permissible rates on other types of time deposits.

Pamphlet on regulations available

Contains simplified explanations

A Guide to Federal Reserve Regulations, a pamphlet containing brief, simplified explanations of Federal Reserve Board regulations, has been published by the Board of Governors.

The more than two dozen Board regulations deal with commercial banks, bank holding companies, consumer credit transactions, interest on savings deposits, the clearance and settlement of checks and other payments involving the use of Federal Reserve facilities.

Copies of the booklet may be obtained singly or in bulk, without charge, from the Public Information Department, Federal Reserve Bank of St. Louis, P. O. Box 442, St. Louis, Mo. 63166.

Ninth digit coming soon

July 1 date for routing number change

A change in the routing number on checks—the addition of a ninth digit—is scheduled to go into effect July 1.

Prior to that date, commercial banks, check processing centers, and check processing equipment manufacturers should make changes in computer programs and equipment to enable items bearing the nine-digit routing number to be read. Check printers should also arrange to have the magnetic ink characters printed in the routing/transit field on all checks printed after July 1, 1978.

Will reduce exception items

The ninth digit, called the "check digit," for each banks is derived from the other eight digits in the bank's routing number. Thus, the additional digit will enable banks and check processing centers with automated processing equipment to regenerate any other digit in the routing series that may be indistinguishable, which will reduce check processing exception items and processing costs.

Eight-digit checks may be used up

The "check digit" for each bank appears in all editions of Rand McNally's Key to Routing Numbers dated 1975 or later, printed in parentheses after the traditional eight-digit number for the bank. And, it is the same digit a bank currently uses, along with its eight-digit routing number, when transferring funds and securities through the Federal Reserve Communications System.

Banks should instruct check printers to print the new nine-digit routing number on all checks ordered for use after July 1. In addition, banks and processing centers using reader/sorters must make programming changes and, in some instances, minor equipment changes to enable them to process both the new nine-digit checks and the old style, eight-digit items.

Existing inventories of checks with the eight-digit format may be used after July 1, but checks with the nine-digit format may not be used before that date. No change need be made in the fractional symbol that appears in the upper right-hand corner of checks.

Developed by FRS, ABA

Plans to add a ninth digit to the routing number were developed by the American Bankers Association and the Federal Reserve System and were announced in August 1977. Late last year, all financial institutions were urged to begin preparations for the July 1 changeover to the new routing number format.

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TT&L rate, amendments, effective date

Program becomes effective July 6

The Treasury has set July 6 as the effective date for its new Treasury Tax and Loan Investment Program. The program was discussed in the March-April issue of the **Fed Letter**.

D and Q amendments facilitate participation

The Board of Governors of the Federal Reserve System recently amended two of its regulations to facilitate participation of member banks in the new TT &L program. Regulation D was amended so that funds in TT&L note accounts will not be regarded as deposits subject to reserve requirements, and Regulation Q was amended so that the note accounts will not be subject to rules relating to interest on time and savings deposits. The amendments become effective July 6.

Interest charge based on Fed Funds rate

The interest rate banks will be charged for using funds acquired through the program will be a quarter of a percent below the prevailing Fed Funds rate. The Treasury had previously considered charging the prevailing rate on repurchase agreements.