

Federal Reserve System

§217.101

Banking Act of 1978 (12 U.S.C. 3105), section 11 of the Federal Reserve Act (12 U.S.C. 248), and section 8 of the Federal Deposit Insurance Act (12 U.S.C. 1818), unless otherwise noted.

(b) *Purpose.* This part prohibits the payment of interest on demand deposits by member banks and other depository institutions within the scope of this part.

(c) *Scope.* (1) This regulation applies to state chartered banks that are members of the Federal Reserve under section 9 of the Federal Reserve Act (12 U.S.C. 321, *et seq.*) and to all national banks. The regulation also applies to any Federal branch or agency of a foreign bank and to a State uninsured branch or agency of a foreign bank in the same manner and to the same extent as if the branch or agency were a member bank, except as may be otherwise provided by the Board, if:

(i) Its parent foreign bank has total worldwide consolidated bank assets in excess of \$1 billion;

(ii) Its parent foreign bank is controlled by a foreign company which owns or controls foreign banks that in the aggregate have total worldwide consolidated bank assets in excess of \$1 billion; or

(iii) Its parent foreign bank is controlled by a group of foreign companies that own or control foreign banks that in the aggregate have total worldwide consolidated bank assets in excess of \$1 billion.

(2) For deposits held by a member bank or a foreign bank, this regulation does not apply to “any deposit that is payable only at an office located outside of the United States” (*i.e.*, the States of the United States and the District of Columbia) as defined in §204.2(t) of the Board’s Regulation D—Reserve Requirements of Depository Institutions (12 CFR 20.4).

[Reg. Q, 51 FR 9637, Mar. 20, 1986, as amended at 57 FR 43336, Sept. 21, 1992]

§217.2 Definitions.

For purposes of this part, the following definitions apply unless otherwise specified:

(a) *Demand deposit* means any deposit that is considered to be a *demand deposit* under §204.2(b) of the Board’s Regulation D—Reserve Requirements of

Depository Institutions (12 CFR part 204).

(b) *Deposit* means any liability of a member bank that is considered to be a *deposit* under §204.2(a) of the Board’s Regulation D—Reserve Requirements of Depository Institutions (12 CFR part 204).

(c) *Foreign bank* means any bank that is considered to be a *foreign bank* under §204.2(o) of the Board’s Regulation D—Reserve Requirements of Depository Institutions (12 CFR part 204).

(d) *Interest* means any payment to or for the account of any depositor as compensation for the use of funds constituting a deposit. A member bank’s absorption of expenses incident to providing a normal banking function or its forbearance from charging a fee in connection with such a service is not considered a payment of interest.

§217.3 Interest on demand deposits.

No member bank of the Federal Reserve System shall, directly or indirectly, by any device whatsoever, pay any interest on any demand deposit.¹

INTERPRETATIONS

§217.101 Premiums on deposits.

(a) Section 19(i) of the Federal Reserve Act and §217.3 of Regulation Q prohibits a member bank from paying interest on a demand deposit. Premiums, whether in the form of merchandise, credit, or cash, given by a member bank to a depositor will be regarded as an advertising or promotional expense rather than a payment of interest if:

(1) The premium is given to a depositor only at the time of the opening of a new account or an addition to an existing account;

¹A member bank may continue to pay interest on a time deposit for not more than ten calendar days; (1) Where the member bank has provided in the time deposit contract that, if the deposit or any portion thereof is withdrawn not more than ten calendar days after a maturity date (one business day for “IBF time deposits” as defined in §204.8(a)(2) of Regulation D), interest will continue to be paid for such period; or (2) for a period between a maturity date and the date of renewal of the deposit, provided that such certificate is renewed within ten calendar days after maturity.