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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;

[1] A 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.