statement alerting customers to the fact that interest cannot remain in the account will assist consumers in comparison shopping between multiyear CDs with annual compounding and multi-year CDs that do not compound but require interest payouts during the account term, without adding an undue burden on institutions.

Section 230.8—Advertising

8(c) When additional disclosures are required

8(c)(6) Features of time accounts

The regulation requires institutions advertising APYs to disclose other key features about the account. Under the interim rule, the Board is adding a brief narrative that parallels the disclosure required by $\S 230.4(b)(6)(iii)$. If an institution states an APY equal to the contract interest rate in advertising a noncompounding multi-year CD that requires interest payments, the fact that interest payouts are mandatory and that interest cannot remain in the account must be stated. The Board believes that the disclosure will assist consumers in comparison shopping between multiyear CDs that compound annually and multi-year CDs that do not compound but require interest payouts at least annually, without adding undue burden on institutions.

Appendix A to Part 230—Annual Percentage Yield Calculation

Part I. Annual Percentage Yield for Account Disclosures and Advertising Purposes

E. Time Accounts With a Stated Maturity Greater Than One Year That Pay Interest at Least Annually

Under the interim rule, the amendments to Appendix A affect institutions offering noncompounding multi-year CDs that require interest payouts at least annually. A new paragraph E is added to clarify how APYs may be determined for such accounts. Two examples are added, including an example calculating the APY for a stepped-rate account covered by the amendments.

The statute provides that the APY shall be calculated under a method prescribed by the Board in regulations, and authorizes the Board to provide for adjustments and exceptions for any class of accounts that, in the Board's judgment, are necessary or proper to carry out the purposes of the act, prevent circumvention of the act's requirements, or facilitate compliance. Based on the comments received and further analysis, the Board finds that an interim rule permitting institutions to disclosure an APY equal to the contract

interest rate for noncompounding multiyear CDs that require interest distributions at least annually is necessary to carry out the purposes of the act—enabling consumers to make informed decisions about deposit accounts. The exception is narrowly drawn, and reflects the value of receiving payments at least annually on accounts that do not permit accountholders to keep interest on deposit until maturity.

Appendix B to Part 230—Model Clauses and Sample Forms

B-1 Model Clauses for Account Disclosures

(h) Disclosures relating to time accounts (h)(v) Required interest distribution

Under the interim rule, the Board is adding a model clause to describe the effect of interest payments on earnings.

V. Regulatory Flexibility Analysis and **Paperwork Reduction Act**

The Board's Office of the Secretary has prepared a regulatory analysis on the interim rule. A copy of the analysis may be obtained from Publications Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551, at (202) 452-3245.

In accordance with section 3507 of the Paperwork Reduction Act of 1980 (44 U.S.C. 35; 5 CFR 1320.13), the revisions were reviewed by the Board under the authority delegated to the Board by the Office of Management and Budget after consideration of comments received during the public comment period.

The interim rule revises the APY that may be disclosed for noncompounding CDs greater than one year that require interest payouts at least annually. It also adds a brief narrative for account disclosures and advertisements for accounts that disclose the contract interest rate as the APY. The Board believes the burden associated with the amendment affects a narrow class of accounts and is likely to be minimal. New calculations are permissive, and the Board believes only a small number of institutions will be affected. Based on its analysis of the impact of the amended regulation, the Board believes that there is no net change in the Board's current estimate of paperwork burden associated with Regulation DD. The annual information disclosure burden for state member banks is estimated to be 1.7 million hours.

List of Subjects in 12 CFR Part 230

Advertising, Banks, banking, Consumer protection, Federal Reserve System, Reporting and recordkeeping requirements, Truth in savings.

For the reasons set forth in the preamble, the Board amends 12 CFR part 230 as set forth below:

PART 230—TRUTH IN SAVINGS (REGULATION DD)

1. The authority citation for part 230 continues to read as follows:

Authority: 12 U.S.C. 4301, et seq.

2. Section 230.4 is amended by adding a new sentence at the end of paragraph (b)(6)(iii) to read as follows:

§ 230.4 Account disclosures.

*

- (b) * * *
- (6) * * *
- (iii) * * * For accounts that do not compound interest on an annual or more frequent basis, with a stated maturity greater than one year that require interest payouts at least annually and that disclose an APY determined in accordance with section E of Appendix A of this part, a statement that interest cannot remain on deposit and that payout of interest is mandatory.
- 3. Section 230.8 is amended by adding a new paragraph (c)(6)(iii) to read as follows:

§ 230.8 Advertising.

* (c) * * *

- (6) * * *
- (iii) Required interest payouts. For noncompounding time accounts with a stated maturity greater than one year that do not compound interest on an annual or more frequent basis, that require interest payouts at least annually, and that disclose an APY determined in accordance with section E of Appendix A of this part, a statement that interest cannot remain on deposit and that payout of interest is mandatory.
- 4. In Part 230, Appendix A is amended as follows:
- a. The second sentence in the introductory text to Part I is revised;
- b. The first sentence of the introductory text to Part I, A. General Rules is revised: and
- c. A new section E is added to Part I. The revisions and addition read as follows:

Appendix A to Part 230—Annual Percentage **Yield Calculation**

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