

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 73-226

September 5, 1973

REGULATION Q
(Applicability of Penalty for Early Withdrawals)

To All Member Banks and Others Concerned
in the Eleventh Federal Reserve District:

Following action by the Board of Governors on August 23, 1973, amending Section 217.4(d) of Regulation Q to treat the amendment of time deposit contracts as payment before maturity, the Board of Governors received inquiries as to the treatment after September 10, 1973, under the new conversion-penalty rule, of "pre-July 5" time deposits that have not been extended, renewed or amended since July 5, 1973.

These "pre-July 5" time deposits are subject to the old rule that a bank may pay a time deposit before maturity only in an emergency to prevent great hardship to the depositor. The depositor forfeits three months of accrued, unpaid interest.

After September 10, 1973, a member bank may permit amendment of a "pre-July 5" time deposit only when the depositor would qualify for withdrawal prior to maturity based on an emergency.

The Board's treatment of "pre-July 5" time deposits after September 10 is substantially similar to penalty provisions imposed by the FDIC applicable to similar time deposits issued by nonmember banks.

Yours very truly,

P. E. Coldwell,

President