



American Revolution Bicentennial

**FEDERAL RESERVE BANK OF DALLAS**

DALLAS, TEXAS 75222

Circular No. 76-90

July 2, 1976

**REGULATION Q--INTEREST ON DEPOSITS**

**Temporary Suspension of Early Withdrawal Penalty**

**TO ALL MEMBER BANKS  
AND OTHERS CONCERNED IN THE  
ELEVENTH FEDERAL RESERVE DISTRICT:**

On June 25, 1976, the Board of Governors of the Federal Reserve System announced a six-month suspension of the Regulation Q penalty for early withdrawal of time deposits for depositors that were victims of the collapse of the Teton Dam in Idaho. This action is retroactive to June 6, 1976, and will remain in effect until midnight December 31, 1976.

To assist victims of this disaster, the Board has given permission to member banks, and has encouraged them to permit early withdrawal of time deposits without penalty upon a showing that the depositor has suffered a loss related to the disaster. The Board's action applies to member banks anywhere, including those in the Eleventh Federal Reserve District. However, the waiver is limited to time deposits of individuals or businesses that suffered financial loss, due to the collapse of the Teton Dam, in the five-county area of Idaho declared a major disaster area by President Ford on June 6, 1976. The Idaho counties are: Bonneville, Fremont, Madison, Jefferson, and Bingham. A member bank should obtain from a depositor seeking to withdraw a time deposit a signed application describing fully the disaster-related loss. This application should be approved and certified by an officer of the bank.

The Board's action is intended to give financial relief by making time deposits immediately available to victims of the flood without loss of previously earned interest. Questions should be directed to Richard West, Senior Attorney of our Regulations Department, at (214) 651-6169. A copy of the FEDERAL REGISTER notice containing the Board's order is printed on the following pages.

Sincerely yours,

T. W. Plant

First Vice President

FEDERAL RESERVE SYSTEM

[12 CFR PART 217]

[REG. Q]

INTEREST ON DEPOSITS

[DOCKET No. R-0045]

Order Granting Temporary Suspension of Early Withdrawal Penalty

The Board has suspended temporarily the Regulation Q penalty for the withdrawal of time deposits prior to maturity from member banks (12 CFR 217.4(d)) for depositors affected by the collapse of the Teton Dam on June 5, 1976. On June 6, 1976, the President, pursuant to section 301 of the Disaster Relief Act of 1974 (42 U.S.C. 5141), designated the following Idaho counties a major disaster area: Bingham, Bonneville, Fremont, Jefferson and Madison. The Board regards the President's action as recognition by the Federal government that a disaster of major proportions has occurred. The President's designation enables victims of the disaster to qualify for special emergency financial assistance. The Board believes it appropriate to provide an additional measure of assistance to flood victims by temporarily suspending the Regulation Q early withdrawal penalty.<sup>1/</sup> The Board's action permits a member bank to pay a time deposit before maturity without imposing this penalty upon a showing that the depositor has, in fact, suffered property or

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<sup>1/</sup> Section 217.4(d) of Regulation Q provides that where a time deposit, or any portion thereof, is paid before maturity, a member bank may pay interest on the amount withdrawn at a rate not to exceed that currently prescribed for a savings deposit and that the depositor shall forfeit three months of interest payable at such rate.

other financial loss in the disaster area as a result of the collapse of the Teton Dam. A member bank should obtain from a depositor seeking to withdraw a time deposit pursuant to this action a signed application describing fully the disaster-related loss. This application should be approved and certified by an officer of the bank. This action will be retroactive to June 6, 1976, and will remain in effect until 12 midnight December 31, 1976.

Section 19(j) of the Federal Reserve Act (12 U.S.C. 371b) provides that no member bank shall pay any time deposit before maturity except upon such conditions and in accordance with such rules and regulations as may be prescribed by the Board. Pursuant to § 19(j) the Board has determined it to be in the overriding public interest to suspend the penalty provision prescribed in § 217.4(d) of Regulation Q for the benefit of depositors suffering disaster-related losses within those counties of the State of Idaho officially designated a major disaster area by the President. This action will be effective from June 6, 1976, until 12 midnight December 31, 1976. The Board, in granting this temporary suspension, encourages member banks to permit penalty-free withdrawal before maturity of time deposits for depositors who have suffered disaster-related losses within the designated disaster area.

In view of the urgent need to provide immediate assistance to relieve the financial hardship being suffered by persons directly affected by the severe damage and destruction occasioned by the collapse of the Teton Dam, the Board finds that good cause exists for dispensing

with notice and public participation referred to in section 553(b) of Title 5 of the United States Code with respect to this action and that public procedure with regard to this action would be contrary to the public interest. Because of the need to provide assistance as soon as possible and because the Board's action relieves a restriction, the Board finds that there is good cause to make the action effective immediately.

By order of the Board of Governors, June 25, 1976.

(Signed) Griffith L. Garwood

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Griffith L. Garwood  
Assistant Secretary of the Board

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