



American Revolution Bicentennial

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 76-160
November 26, 1976

REGULATION Q--INTEREST ON DEPOSITS

Amendments To Improve the Terms Under Which Member Banks May Offer Keogh Plan Retirement Accounts

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

Effective immediately, the Board of Governors of the Federal Reserve System has amended Regulation Q, "Interest on Deposits," to improve the terms under which member banks may offer Keogh plan retirement accounts. Keogh plan accounts were authorized under the Self-Employed Individuals Tax Retirement Act of 1962. The Keogh plan provisions permit a self-employed individual to establish a retirement savings plan with a depository institution, and deposit up to 15 percent of earned income, or \$7,500 a year, whichever is less, in the account. The amount deposited may be deducted from the individual's income subject to Federal tax.

The amendments extend to Keogh plan retirement accounts the conditions established last December for Individual Retirement Accounts. The amendments are:

1. Member banks may pay all, or a part, of a Keogh plan time deposit (as with an IRA) prior to its maturity, without the usual penalty for early withdrawal from a time deposit, when the depositor reaches the age of 59 1/2 or becomes disabled.
2. In the case of Keogh plan time deposits (as with IRAs), it is not necessary to have on deposit a minimum of \$1,000 in order to earn the 7 1/4 percent interest rate available for four-year time deposits, or the 7 1/2 percent available for six-year deposits.

Keogh plans already in existence may be amended to incorporate the changes in Regulation Q requirements. Keogh plan accounts must be established before the end of 1976 in order to be eligible for tax benefits for the whole year.

Member banks and others that maintain Regulations Binders should file the amendments, which are printed on the reverse of this circular, in their binders. Any questions concerning the amendments should be directed to Richard B. West of our Regulations Department at (214) 651-6169.

Additional copies of the amendments will be furnished upon request to the Secretary's Office of this Bank.

Sincerely yours,
T. W. Plant
First Vice President

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

INTEREST ON DEPOSITS

AMENDMENTS TO REGULATION Q†

Effective November 8, 1976, Regulation Q is amended as follows:

1. Section 217.4(d) is amended to read as follows:

SECTION 217.4—PAYMENT OF TIME DEPOSITS BEFORE MATURITY

(d) **Penalty for early withdrawal.** Where a time deposit representing funds contributed to an Individual Retirement Account or a Keogh (H.R. 10) plan established pursuant to 26 U.S.C. (I.R.C. 1954) §§408, 401 is paid before maturity when the individual for whose benefit the account is maintained attains age 59½ or is disabled (as defined in 26 U.S.C. (I.R.C. 1954)§72(m)(7)) or thereafter, a member bank may pay all or a portion of such time deposit without a reduction or forfeiture of interest as prescribed by this paragraph.

2. Footnote 2 to subparagraphs (b)(2) and (b)(3) of Section 217.7 (the Supplement to Regulation Q) is amended as follows:

SECTION 217.7—MAXIMUM RATES OF INTEREST PAYABLE BY MEMBER BANKS ON TIME AND SAVINGS DEPOSITS

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(b) **Time deposits of less than \$100,000.**

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(2) Member banks may pay interest on any time deposit of \$1,000 or more, with a maturity of four years or more, at a rate not to exceed 7¼ percent.²

(3) **Investment Certificates**—Member banks may pay interest on any time deposit of \$1,000 or more, with a maturity of six years or more, at a rate not to exceed 7½ percent.²

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† For this Regulation to be complete as amended effective November 8, 1976, retain:

- 1) Printed Regulation pamphlet as amended December 4, 1975;
2) Supplement effective December 4, 1975;
3) Amendments effective March 1, 1976, to Sections 217.1(e)(3), 217.5(c)(3), and 217.6(i);
4) Amendment effective July 26, 1976, to Section 217.1(f)(3)(i); and
5) This slip sheet.

² The \$1,000 minimum denomination requirement does not apply to time deposits representing funds contributed to an Individual Retirement Account or Keogh (H.R. 10) plan established pursuant to 26 U.S.C. (I.R.C. 1954) §§ 408, 401.