

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 79-97

June 4, 1979

PROPOSED AMENDMENT TO REGULATION Q

Payment of Time Deposits Before Maturity Upon the Death of a Depositor

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

The Board of Governors of the Federal Reserve System has issued for comment a proposal to require member banks to pay a time deposit prior to maturity without penalty upon the death of any owner when requested to do so by the owner's representative or by any other owner.

Printed on the following pages is a copy of the proposed amendment. Interested persons are invited to submit comments to the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551, to be received no later than July 2, 1979. Comments should be in writing and refer to Docket No. R-0228.

Any questions concerning the proposed amendment should be directed to our Consumer Affairs Section of the Bank Supervision and Regulations Department, Ext. 6171.

Sincerely yours,

Robert H. Boykin

First Vice President

Banks and others are encouraged to use the following incoming WATS numbers in contacting this Bank: 1-800-492-4403 (intrastate) and 1-800-527-4970 (interstate). For calls placed locally, please use 651 plus the extension referred to above.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

[12 C.F.R. Part 217]

(Docket No. R-0228)

Notice of Proposed Rulemaking

Payment of Time Deposits Before Maturity

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Proposed rule.

SUMMARY: The Board of Governors of the Federal Reserve System proposes to amend Regulation Q concerning the payment of time deposits before maturity in the event of the death of any owner of the time deposit funds. Under the Board's current regulation, a member bank, upon the death of any owner of a time deposit, is permitted to pay such time deposit before maturity without imposition of the normally required early withdrawal interest forfeiture penalty. Under the proposed amendment, a member bank would be required to pay a time deposit prior to maturity without penalty upon the death of any owner when requested to do so by the owner's representative or by any other owner.

DATE: Comments must be received by July 2, 1979.

ADDRESS: Theodore E. Allison, Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. All material submitted should include the Docket Number R-0228.

FOR FURTHER INFORMATION CONTACT: Gilbert T. Schwartz, Assistant General Counsel (202/452-3623) or Anthony F. Cole, Senior Attorney (202/452-3711), Legal Division, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

SUPPLEMENTARY INFORMATION: Regulation Q currently provides that upon the death of any owner of time deposit funds, a member bank, if it so chooses, may pay all or a portion of such time deposit funds before maturity without imposing the normally required early withdrawal interest forfeiture penalty (§ 217.4(d)). The Board proposes to amend this provision to require a member bank to pay a time deposit prior to maturity without penalty upon the death of any owner when requested to do so by the owner's representative or by any other owner. The Board believes that the proposed amendment will more fully effectuate the intent of this exception to the early withdrawal penalty rule, which is to facilitate the administration of estates as well as ease the financial burdens occasioned by the death of a depositor. Public comment is requested on whether the proposed amendment, if adopted, should apply to all time deposits or only to those time deposits issued after the implementation date.

All comments and information on this proposal should be submitted in writing to the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551, to be received by July 2, 1979. All material submitted should include the Docket Number R-0228. Such material will be made available for inspection and copying upon request except as provided in section 261.6(a) of the Board's Rules Regarding Availability of Information (12 C.F.R. 261.6(a)).

Pursuant to its authority under section 19(j) of the Federal Reserve Act (12 U.S.C. § 371b), the Board proposes to amend Regulation Q (12 C.F.R. § 217.4) as follows:

§ 217.4 -- PAYMENT OF TIME DEPOSITS BEFORE MATURITY

* * * * *

(d) Penalty for early withdrawals. *** A time deposit may be paid before maturity without a forfeiture of interest as prescribed by this paragraph in the following circumstances:

(1) Where a member bank pays all or a portion of a time deposit upon the death of any owner of the time deposit funds. Provided, however, a member bank is required to pay a time deposit prior to maturity without penalty upon the death of any owner of the funds when requested to do so by the owner's representative or other owners;11a/ ***

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11a/ For the purposes of this provision, an "owner" of time deposit funds is any individual who at the time of his or her death has full legal and beneficial title to all or a portion of such funds or, at the time of his or her death, has beneficial title to all or a portion of such funds and full power of disposition and alienation with respect thereto.

By order of the Board of Governors, May 30, 1979.

(Signed) Theodore E. Allison

Theodore E. Allison
Secretary of the Board

[SEAL]