

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 79-135
August 9, 1979

REGULATION Q--TEMPORARY SUSPENSION
OF EARLY WITHDRAWAL PENALTY

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

The Board of Governors of the Federal Reserve System has granted a temporary suspension of the Regulation Q penalty for early withdrawal of time deposits from member banks for those depositors affected by the recent storms in the following Texas Counties: Brazoria, Chambers, Galveston, Harris, Jefferson, and Orange. The Board's action permits a member bank, wherever located, to pay a time deposit before maturity without imposing the penalty upon a showing that the depositor suffered property loss in the emergency area.

The action has been made retroactive to deposits withdrawn on or after July 28, 1979, and will remain in effect until 12:00 midnight January 31, 1980. A member bank should obtain from a depositor seeking a penalty-free withdrawal a signed statement describing fully the disaster-related loss. The statement should be approved and certified by an officer of the bank.

Printed on the following pages is the Board's order as it will appear in the *Federal Register*. Questions regarding Regulation Q should be directed to our Consumer Affairs Section of the Bank Supervision and Regulations Department, Ext. 6171.

Additional copies of the suspension announcement will be furnished upon request to the Secretary's Office, Ext. 6267.

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.

FEDERAL RESERVE SYSTEM

[12 CFR Part 217]

[REGULATION Q, DOCKET NO. R-0242]

INTEREST ON DEPOSITS

Temporary Suspension of Early Withdrawal Penalty

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Temporary suspension of the Regulation Q penalty normally imposed upon the withdrawal of funds from time deposits prior to maturity.

SUMMARY: The Board of Governors, acting through its Secretary, pursuant to delegated authority, has suspended temporarily the Regulation Q penalty for the withdrawal of time deposits prior to maturity from member banks for depositors affected by the severe storms and flash flooding beginning on or about July 24, 1979, in the State of Texas.

EFFECTIVE DATE: July 28, 1979.

FOR FURTHER INFORMATION CONTACT: Paul S. Pilecki, Attorney, Legal Division, Board of Governors of the Federal Reserve System, Washington, D. C. 20551 (202/452-3281).

SUPPLEMENTARY INFORMATION: On July 28, 1979, pursuant to section 301 of the Disaster Relief Act of 1974 (42 U.S.C. § 5141) and Executive Order 12148 of July 20, 1979, the President, acting through the Director of the Federal Emergency Management Agency, designated the following counties of the State of Texas a major disaster area: Brazoria, Chambers, Galveston, Harris, Jefferson, and Orange. 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 victims by temporarily suspending the Regulation Q early withdrawal penalty.^{1/} The Board's action permits a member bank, wherever located, to pay a time deposit before maturity without imposing this penalty upon a showing that the depositor has suffered property or other financial loss in the disaster area as a result of the severe storms and flooding. A member bank should obtain from a depositor seeking to withdraw a time deposit pursuant to this action a signed statement describing fully the disaster-related loss. This statement should be approved and certified by an officer of the bank. This action will be retroactive to July 28, 1979, and will remain in effect until 12 midnight January 31, 1980.

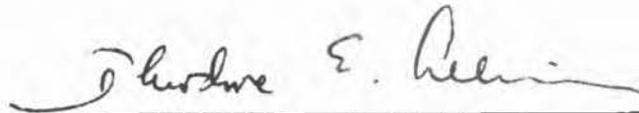
Section 19(j) of the Federal Reserve Act (12 U.S.C. § 371b) provides that no member bank shall pay any time deposit before maturity except upon such conditions and in accordance with such rules and regulations as may be prescribed by the Board. The Board has determined it to be in the overriding public interest to suspend the penalty provision in

^{1/} Effective July 1, 1979, section 217.4(d) of Regulation Q provides that where a time deposit with an original maturity of one year or less, or any portion thereof, is paid before maturity, a depositor shall forfeit at least three months of interest on the amount withdrawn at the rate being paid on the deposit. Time deposits with original maturities of greater than one year require the forfeiture of at least six months' interest when paid prior to maturity. With respect to time deposits issued prior to July 1, 1979, where such deposits, or any portion thereof, are paid before maturity, a member bank may pay interest on the amount withdrawn at a rate not to exceed the current ceiling rate for a savings deposit under section 217.7 and the depositor shall forfeit three months of interest payable at such rate. Effective August 1, 1979, a member bank may apply the new, generally less restrictive, penalty to time deposits issued prior to July 1, 1979; with the consent of the depositor.

§ 217.4(d) of Regulation Q for the benefit of depositors suffering disaster-related losses within those geographical areas of the State of Texas officially designated a major disaster area by the President. 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 storms and flooding in the designated counties of Texas, 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 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, there is good cause to make the action effective immediately.

By order of the Board of Governors, acting through its Secretary, pursuant to delegated authority (12 CFR 265.2(a)(18)), August 3, 1979.



Theodore E. Allison
Secretary of the Board