

# FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 81-200  
October 21, 1981

## ALL SAVERS CERTIFICATE

Clarification of Circular No. 81-181

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

Inquiries have been received concerning the explanation in Federal Reserve Bank of Dallas Circular No. 81-181 of rules permitting the conversion of existing time deposits to All Savers Certificates (ASCs) without the imposition of an early withdrawal penalty. Specifically, member banks have inquired about the rate of interest to be paid on ASCs resulting from conversions.

The Economic Recovery Tax Act of 1981 (P.L. 97-34) stipulates that ASCs must have an annual investment yield equal to 70 percent of the average investment yield for 52-week U.S. Treasury bills sold at the most recent auction preceding the week in which the ASC is issued. The ASC must be issued at a rate that will result in the annual investment yield mandated by the Act.

Circular No. 81-181 provides that one condition for converting an existing time deposit to an ASC or any other deposit at the same institution without imposition of the early withdrawal penalty is that the rate paid on the new deposit cannot exceed the lower of (a) the rate being paid on the existing time deposit, or (b) the regulatory ceiling rate, if any, applicable to the new deposit category at the time of conversion. In the case of a conversion of an existing time deposit to an ASC, the regulatory ceiling rate is the rate in effect for the ASC at the time of conversion.

However, member banks may not offer ASCs which have an annual yield less than that required by law. If, to allow for a penalty-free conversion, a certificate is issued at a nominal rate which produces an annual yield less than that required by law, it will not qualify as an ASC under the regulations issued by the Depository Institutions Deregulation Committee.

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Banks and others are encouraged to use the following incoming WATS numbers in contacting this Bank: 1-800-442-7140 (intrastate) and 1-800-527-9200 (interstate). For calls placed locally, please use 651 plus the extension referred to above.

Member banks which have issued All Savers Certificates having an annual investment yield below the mandatory annual investment yield effective on the date of the certificate's issuance should take appropriate action to modify the certificates to conform with the regulations authorizing the tax exempt All Savers Certificates.

Questions regarding this Circular should be directed to the Legal Department of this Bank, Ext. 6171.

Additional copies of this circular will be furnished upon request to the Department of Communications, Financial and Community Affairs of this Bank, Ext. 6289.

Sincerely yours,

A handwritten signature in cursive script that reads "William H. Wallace". The signature is written in black ink and is centered on the page.

William H. Wallace  
First Vice President