FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 81-226
December 2, 1981

# DEPOSITORY INSTITUTIONS DEREGULATION COMMITTEE

## IRA/Keogh Accounts

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

The Depository Institutions Deregulation Committee has announced its decision to retain the new IRA/Keogh Account that it adopted at its September 22 meeting. The Committee's actions are more fully explained in the press release dated November 20, 1981 printed on the reverse of this circular.

As stated in the press release, the Committee's decision reaffirms most of the terms of the new IRA/Keogh Account announced in Federal Reserve Bank of Dallas Circular No. 81-219, dated November 19, 1981. The only change announced by the Committee is that institutions will be required to charge the normal early withdrawal penalty for transfers within the institution to the new account from existing IRA/Keogh accounts prior to their maturity. The effective date for creation of the new IRA/Keogh Account remains December 1, 1981.

Questions concerning the IRA/Keogh Accounts should be directed to this Bank's Legal Department, Extension 6171.

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

Sincerely yours,

William H. Wallace

William H. Wallace
First Vice President

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.

DEPOSITORY INSTITUTIONS DEREGULATION COMMITTEE
Washington, D.C. 20220

PRESS RELEASE

November 20, 1981

Press Contact: Robert Don Levine
202/566-2041

# DIDC Announces Decisions on new IRA/Keogh Account

The Depository Institutions Deregulation Committee announced today that it has voted to retain the new IRA/Keogh account that it adopted at its September 22 meeting. It has a minimum maturity of 1-1/2 years and no regulated interest rate ceiling. In addition, however, the Committee has decided not to permit waiver of early withdrawal penalties for the transfer of existing IRA/Keogh accounts to the new IRA/Keogh deposit instrument.

In taking this action, the Committee indicated that certain member agencies will carefully monitor the rates offered on IRA/Keogh accounts. These regulatory agencies are particularly concerned that competition for IRA/Keogh accounts not endanger the safety and soundness of individual depository institutions and will take appropriate actions if necessary.

These decisions were made through a written ballot vote of the Committee in response to a request by Federal Home Loan Bank Board Chairman Richard T. Pratt that the Committee place a ceiling, indexed to the yield on Treasury securities, on the new account. Mr. Pratt also had requested the DIDC to consider requiring the early withdrawal penalties for transfers within the institution to the new account from existing IRA/Keogh accounts prior to their maturity.

The DIDC vote reaffirms that the new IRA/Keogh account category will have (1) a maturity of 1-1/2 years or more, (2) no interest rate restrictions, (3) no federally required minimum denomination, (4) the normal early withdrawal penalty of six months interest, and (5) at the option of the institutions, additions may be permitted without extending the original maturity of the deposit.

Although elimination of the penalty free conversion option may deny some current IRA/Keogh account holders a higher return on funds previously invested until those deposits mature, this action will not inhibit the main objectives of the new IRA/Keogh account -- namely, that of encouraging savings and allowing depository institutions to compete more effectively for the new retirement savings forthcoming January 1, 1982.