

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 82-144  
November 8, 1982

REGULATION Q  
INTEREST ON DEPOSITS

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

The Board of Governors of the Federal Reserve System has issued, effective September 1, 1982, amendments to Regulation Q in slip sheet form.

For Regulation Q to be complete as amended September 1, 1982, retain in Volume II of your Regulations Binder the following:

- Regulation Q pamphlet dated March 1982 (see inside cover).
- The enclosed slip sheets.

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

Sincerely yours,



William H. Wallace  
First Vice President

Enclosure

# Amendments to Regulation Q Interest on Deposits\*

September 1982

1. *Effective September 1, 1982, section 217.1 is amended by revising paragraph (b), by removing paragraphs (c) and (d) and reserving them, by removing footnotes 2 and 3 and renumbering the remaining footnotes accordingly, and by revising paragraph (h). Effective August 23, 1982, section 217.1(f)(2) is revised. The revised provisions read as follows:*

## SECTION 217.1—Definitions

• • • • •  
(b)(1) *"Time deposit"* means (i) a deposit that the depositor does not have a right to withdraw for a period of 14 days or more after the date of deposit. "Time deposit" includes funds—

(A) payable on a specified date not less than 14 days after the date of deposit;

(B) payable at the expiration of a specified time not less than 14 days after the date of deposit;

(C) payable upon written notice which actually is required to be given by the depositor not less than 14 days before the date of repayment;<sup>1</sup> or

(D) such as "Christmas club" accounts and "vacation club" accounts, that are deposited under written contracts providing that no withdrawal shall be made until a certain number of periodic deposits have been made during a period of not less than three months even though some of the deposits may be

made within 14 days from the end of the period;

(ii) an "international banking facility time deposit;" and

(iii) a deposit or account issued pursuant to 12 CFR 217.7(f) or 1204.121, including those with an original maturity or notice period of 7 to 13 days.

(2) A time deposit may be represented by a transferable or nontransferable, or a negotiable or nonnegotiable, certificate, instrument, passbook, statement or otherwise. A time deposit evidenced by a certificate or instrument is payable only upon presentation of the certificate or instrument. A time deposit established in statement, book-entry, or other form must be evidenced by a written agreement, and deposits must be confirmed by issuance of a receipt or advice.

(c) [Reserved]

(d) [Reserved]

• • • • •  
(f) • • •

(1) • • •

(2) Evidences an indebtedness arising from a transfer of direct obligations of, or obligations that are fully guaranteed as to principal and interest by, the United States or any agency thereof that the bank is obligated to repurchase;

• • • • •  
(h) *Obligations issued by the parent bank holding company of a member bank.* (1) For the purposes of this part, the "deposits" of a member bank also include an obligation that is (i) issued in a denomination of less than \$100,000; (ii) required to be registered with the Securities and Exchange Commission under the Se-

• For this regulation to be complete, as amended effective September 1, 1982, retain—

• Regulation Q pamphlet dated March 1982 (see inside cover) and  
• this slip sheet.

curities Act of 1933; (iii) issued or guaranteed in whole or in part as to principal or interest by the member bank's parent which is a bank holding company under the Bank Holding Company Act of 1956, as amended (12 USC 1841-1850), regardless of the use of the proceeds; and (iv) issued with a stated maturity, notice period or redemption period of less than 3½ years.

- (2)(i) Effective April 1, 1983, this paragraph is amended by striking the term "3½ years" wherever it appears and inserting in its place the term "2½ years".
- (ii) Effective April 1, 1984, this paragraph is amended by striking the term "2½ years" wherever it appears and inserting in its place "1½ years".
- (iii) Effective April 1, 1985, this paragraph is amended by striking the term "1½ years" wherever it appears and inserting in its place "six months".
- (iv) Effective March 31, 1986, this paragraph is amended by striking the term "six months" wherever it appears and inserting in its place "14 days".

(3) The term "deposits" does not include those obligations of a bank holding company that are subject to interest rate limitations imposed pursuant to Public Law 89-597.

\* \* \* \* \*

- 2. *Effective September 1, 1982, section 217.3 is amended by revising the third sentence of paragraph (f) to read as follows:*

**SECTION 217.3—Interest on Time and Savings Deposits**

\* \* \* \* \*

(f) *No interest after maturity or expiration of notice.* \* \* \* On each certificate, passbook, or other document representing a time deposit, the bank shall have printed or stamped a conspicuous statement indicating that no interest will be paid on the deposit after the maturity date or, in the case of a time deposit that is automatically renewable, a conspicuous statement indicating

that the contract will be renewed automatically upon maturity, and indicating the terms of such renewal, *Provided*, however, that a member bank may provide in any time deposit contract that if the deposit, or any portion thereof, is withdrawn not more than seven calendar days after a maturity date (one business day for deposits authorized by section 217.7(l)), interest will be paid thereon at the originally specified contract rate. \* \* \*

- 3. *Effective September 1, 1982, section 217.4 is amended by revising the first sentence in subparagraph (1)(iii) of paragraph (d), by revising subparagraphs (5) and (6) of paragraph (d), and by revising paragraph (f) to read as follows:*

**SECTION 217.4—Payment of Time Deposits Before Maturity**

\* \* \* \* \*

(d) \* \* \*

(1) \* \* \*

(iii) Except as provided in sections 217.7(j) and 217.7(l), the following minimum early withdrawal penalty shall apply to time deposit contracts entered into, renewed, or extended on or after June 2, 1980: \* \* \*

\* \* \* \* \*

(5) Except for time deposits on which no maximum interest rate limitation is prescribed, any amendment of a time deposit contract that results in an increase in the rate of interest paid or in a reduction in the maturity of the deposit constitutes a payment of the time deposit before maturity.

(6) For purposes of computing the penalty required to be imposed under this paragraph, under a time deposit agreement that provides that subsequent deposits reset the maturity of the entire account, each deposit maintained in the account for at least a period equal to the original maturity of the deposit may be regarded as having matured individually and been redeposited at intervals equal to

such period. Except as provided in section 217.7(I)(4), when a time deposit is payable only after notice, for funds on deposit for at least the notice period, the penalty for early withdrawal shall be imposed for at least the notice period.

\* \* \* \* \*

(f) *Loans upon security of time deposits.* Except as provided in section 217.7(I)(3), a member bank may make a loan to the depositor upon the security of his time deposit provided that the rate of interest on such loan shall be not less than 1 percent per annum in excess of the rate of interest on the time deposit.

4. *Effective September 1, 1982, section 217.6 is amended by revising paragraph (i) to read as follows:*

#### SECTION 217.6—Advertising of Interest on Deposits

\* \* \* \* \*

(i) Any advertisement, announcement, or solicitation relating to interest paid by a member bank on a time deposit issued pursuant to section 217.7(f) or section 217.7(j) shall include a clear and conspicuous notice that federal regulations prohibit the compounding of interest during the term of the deposit.

5. *Effective September 1, 1982, section 217.7 is amended by revising paragraphs (a), (b), (d), (e), (f), (g), and (h) and by adding new paragraphs (j), (k), and (l). Section 217.7 now reads as follows:*

#### SECTION 217.7—Supplement: Maximum Rates of Interest Payable by Member Banks on Time and Savings Deposits

Pursuant to the provisions of section 19 of the Federal Reserve Act and section 217.3 of this part, the Board of Governors of the Federal Reserve System hereby prescribes the following maximum rates<sup>1</sup> of interest

per annum payable by member banks of the Federal Reserve System on time and savings deposits:

(a) *Time deposits of \$100,000 or more and IBF time deposits.* Except for a time deposit issued subject to all conditions of paragraph (I) or 12 CFR 1204.121, there is no maximum rate of interest presently prescribed on any time deposit of \$100,000 or more with a maturity of 14 days or more or on IBF time deposits issued under section 217.1(I).

(b) *Fixed-ceiling time deposits of less than \$100,000.* Except as provided in paragraphs (a), (d), (e), (f), (g), (i), (j), (k), and (I), no member bank shall pay interest on any time deposit at a rate in excess of the applicable rate under the following schedule:

Maturity	Maximum percent
14 days or more but less than 90 days	5½
90 days or more but less than 1 year	5¾
1 year or more but less than 2½ years	6
2½ years or more but less than 4 years	6½
4 years or more but less than 6 years	7½
6 years or more but less than 8 years	7¾
8 years or more	7¾

(c) *Savings deposits.* No member bank shall pay interest at a rate in excess of 5½ percent on any savings deposit. No member bank shall pay interest at a rate in excess of 5½ percent on any savings deposit that is subject to negotiable orders of withdrawal, the issuance of which is authorized by federal law.

(d) *Governmental unit time deposits.* Ex-

<sup>1</sup> The limitation on rates of interest payable by member banks of the Federal Reserve System on time and savings deposits, as prescribed herein, are not applicable to any deposit which is payable only at an office of a member bank located outside the states of the United States and the District of Columbia.

cept as provided in paragraphs (a), (f), (g), (j), (k), and (l), and notwithstanding paragraph (b), no member bank shall pay interest on any time deposit which consists of funds deposited to the credit of, or in which the entire beneficial interest is held by, the United States, any state of the United States, or any county, municipality or political subdivision thereof, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, American Samoa, Guam, or political subdivision thereof, at a rate in excess of 8 percent.<sup>2</sup>

(c) *Individual retirement account and Keogh (H.R. 10) plan deposits.* Notwithstanding paragraphs (a) and (g), a member bank may pay interest at any rate as agreed to by the depositor on any time deposit with a maturity of one and one-half years or more, that consists of funds deposited to the credit of, or in which the entire beneficial interest is held by, an individual pursuant to an individual retirement account agreement or Keogh (H.R. 10) plan established pursuant to 26 USC (IRC 1954) 219, 401, 404, 408 and related provisions. A member bank may permit additional deposits to be made to such a time deposit at any time prior to its maturity without extending the maturity of all or a portion of the entire balance in the account.

(f) *26-week money market time deposits.* Except as provided in paragraph (a) and notwithstanding paragraphs (b) and (d), a member bank may pay interest on any non-negotiable time deposit of \$10,000 or more, with a maturity of 26 weeks, at a rate not to exceed the ceiling rates set forth below. The ceiling rate shall be based on the higher of either (1) the rate established and announced (auction average on a discount basis) for U.S. Treasury bills with maturities of 26 weeks at the auction held immediately prior to the date of deposit ("bill rate"), or (2) the average of the four rates established and announced (auction average on a dis-

count basis) for U.S. Treasury bills with maturities of 26 weeks at the four auctions held immediately prior to the date of deposit ("four-week average bill rate"). Rounding any rate to the next higher rate is not permitted and interest may not be compounded during the term of this deposit.

<i>Bill rate or four-week average bill rate</i>	<i>Interest rate ceiling</i>
7.50 percent or below	7.75 percent
Above 7.50 percent	One-quarter of one percentage point plus the higher of the bill rate or four-week average bill rate.

A member bank may offer this category of time deposit to all depositors. However, a member bank may pay interest on any non-negotiable time deposit of \$10,000 or more with a maturity of 26 weeks which consists of funds deposited to the credit of, or in which the entire beneficial interest is held by—

(1) the United States, any state of the United States, or any county, municipality or political subdivision thereof, the District of Columbia, the Commonwealth of Puerto Rico; the Virgin Islands, American Samoa, Guam, or political subdivision thereof; or

(2) an individual pursuant to an individual retirement account agreement or Keogh (H.R. 10) plan established pursuant to 26 USC (IRC 1954) 219, 401, 404, 408 and related provisions at a rate not to exceed the ceiling rate payable on the same category of deposit by any federally insured savings and loan association or mutual savings bank.<sup>3</sup>

<sup>3</sup> The ceiling rate of interest payable for this category of deposit by federally insured savings and loan associations and mutual savings banks is 7.75 percent when the bill rate or four-week average bill rate is 7.25 percent or lower, one-half of 1 percent above the bill rate or four-week average bill rate when the bill rate or four-week average bill rate is above 7.25 percent but below 8.50 percent, 9.00 percent when the bill rate or four-week average bill rate is 8.50 percent or above but below 8.75 percent, and one-quarter of 1 percent above the bill rate or four-week average bill rate when the bill rate or four-week average bill rate is 8.75 percent or above.

<sup>2</sup> The ceiling rate on this category is the highest fixed ceiling rate that may be paid on time deposits under \$100,000 by any federally insured commercial bank, mutual savings bank, or savings and loan association.

(g) *Time deposits with maturities of 2½ years to less than 3½ years.* (1) Except as provided in paragraphs (a) and (e) and notwithstanding paragraphs (b) and (d), a member bank may pay interest on any nonnegotiable time deposit with an original maturity of 2½ years to less than 3½ years at a rate not to exceed the higher of one-quarter of 1 percent below the average 2½-year yield for U.S. Treasury securities as determined and announced by the U.S. Department of the Treasury immediately prior to the date of deposit, or 9.25 percent. Such announcement is made by the U.S. Department of the Treasury every two weeks. The average 2½-year yield will be rounded by the U.S. Department of the Treasury to the nearest 5 basis points. The rate paid on any such deposit cannot exceed the ceiling rate in effect on the date of deposit. A member bank may offer this category of time deposit to all depositors. However, a member bank may pay interest on any nonnegotiable time deposit with a maturity of 2½ years to less than 3½ years which consists of funds deposited to the credit of, or in which the entire beneficial interest is held by the United States, any state of the United States, or any county, municipality or political subdivision thereof, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, American Samoa, Guam, or political subdivision thereof at a rate not to exceed the ceiling rate payable on the same category of deposit by any federally insured savings and loan association or mutual savings bank.<sup>4</sup>

(2) Effective April 1, 1983, this paragraph is amended by striking the term "2½ years to less than 3½ years" wherever it appears and inserting in its place "1½ years to less than 2½ years", and by striking the term "average 2½-year yield" wherever it appears and inserting in its place "average 1½-year yield."

(h) *Obligations of the parent bank holding*

<sup>4</sup> The ceiling rate of interest payable for this category of deposit by federally insured savings and loan associations and mutual savings banks is one-quarter of 1 percent above the rate that may be paid by member banks.

*company of a member bank.* Interest may be paid on a deposit as defined in section 217.1(h) at a rate not to exceed the maximum rate payable by a member bank on a deposit of equal maturity and denomination. For purposes of this paragraph, the maturity of an obligation of a parent bank holding company is the lesser of the stated maturity period, notice period, or redemption period.

(i) *Tax-exempt savings certificate.* (1) A member bank may pay interest on a non-negotiable tax-exempt savings certificate (ASC) provided that the time deposit has an original maturity of exactly one year, is available in denominations of \$500 and any other denomination, at the discretion of the member bank, and has an annual investment yield to maturity equal to 70 percent of the average investment yield for the most recent auction of 52-week U.S. Treasury bills prior to the calendar week in which the ASC is issued.<sup>5</sup>

(2) A member bank must provide each depositor the following notice, in a form that the depositor may retain at the time of opening a deposit under this paragraph:

<sup>5</sup> When institutions credit interest more frequently than annually, the computation of interest must be adjusted to reflect the effects of compounding so that the annual investment yield to the depositor remains at the rate stipulated by law. Specifically, the formula used to derive the nominal interest rate at which interest can be credited is as follows:

$$I = [(1 + c/100)^{(d/365)}] - 1$$

$$r = 100 \times (365/d) \times I$$

where: c = the annual investment yield required to be paid on the ASCs (in percent per annum)

D = the average number of days in a compounding period (365-day year)

I = the amount of interest earned during a (365-day year) compounding period per dollar in the account at the beginning of the period

r = the corresponding nominal rate of interest (365-day basis, in percent per annum)

For institutions using continuous compounding, the nominal interest rate would be defined as:  $r = 100 \{ \ln [1 + (c/100)] \}$ , where "ln" signifies the natural logarithm of the expression that follows it.

The Economic Recovery Tax Act of 1981 authorizes a lifetime exclusion from gross income for federal income tax purposes of up to \$1,000 (\$2,000 in the case of a joint return) for interest earned on tax-exempt savings certificates. Regardless of how much interest is earned on this or any other tax-exempt savings certificate, including interest earned on such certificates from other institutions, and regardless of during which taxable years that interest is earned, no more than a total of \$1,000 (\$2,000 in the case of a joint return) can be excluded from federal gross income for all taxable years. Furthermore, interest earned on a specific certificate cannot be excluded from federal gross income if (A) that certificate is used as collateral for any loan, or (B) any part of the principal of that certificate is redeemed or disposed of prior to maturity.

(3)(i) A member bank may not issue ASCs after March 31, 1982, under this paragraph unless an executive officer of the member bank certifies, in a form determined by the member bank, that the member bank has complied with the "qualified residential financing" requirement set out in 26 USC 128. The certification must be maintained by the member bank in its files and must be available to the member bank's primary supervisory agency upon request. The certification shall include appropriate supporting documentation, as determined by the member bank.

(ii) A member bank issuing ASCs during any calendar quarter must use at least 75 percent of the lesser of—

(A) the proceeds from ASCs issued during a calendar quarter, or

(B) "qualified net savings," to provide "qualified residential financing" by the end of the subsequent calendar quarter and may not issue additional ASCs until the 75 percent requirement is satisfied.

(iii) For purposes of determining compliance with the "qualified residential financing" requirement, the following applies:

(A) the term "qualified net savings" includes interest or dividends credited to deposit accounts;

(B) the amount of "qualified residential financing" is to be determined net of repayment of principal

and paydowns, but sales of such assets may not be netted;

(C) the term "any loan for agricultural purposes" is defined to have the same meaning as items described in the instructions to the Report of Condition of all Insured Commercial Banks, schedule A, item 4 "Loans to Finance Agricultural Production and Other Loans to Farmers," and schedule A, item 1(b) "Real Estate Loans Secured by Farmland," and

(D) "qualified residential financing" includes a firm commitment to purchase any assets eligible for such investment.

(iv) If a member bank provides for automatic renewal of an ASC, depositors must be notified in writing at least 15 days in advance of the maturity of an ASC in the event the member bank cannot renew the ASC because of its failure to satisfy the residential financing requirement. Failure to give such notice shall not result in automatic renewal of the ASC.

(v) This paragraph (i) expires January 1, 1983.

(j) *91-day time deposits.* (1) Except as provided in paragraph (a) and notwithstanding paragraphs (b) and (d), a member bank may pay interest on any negotiable or nonnegotiable time deposit of \$7,500 or more, with a maturity of 91 days, at a rate not to exceed the ceiling rates set forth below. Rounding any rate upward is not permitted, and interest may not be compounded during the term of this deposit.

(2)(i) Except as provided in subparagraphs (ii) and (iii) below, the ceiling rate of interest payable by a member bank shall be the rate established and announced (auction average on a discount basis) for U.S. Treasury bills with maturities of 91 days at the auction held immediately prior to the date of deposit ("bill rate") minus one-quarter of 1 percentage point (25 basis points).

(ii) If the bill rate is 9 percent or below at the four most recent auctions of U.S. Treasury bills with maturities of 91 days held immediately prior to the date of deposit, the ceiling rate of interest payable by a member bank shall be the bill rate.

(iii) Effective May 1, 1983, the ceiling rate of interest payable by a member bank on this category of deposit for deposits issued or renewed on or after that date shall be the bill rate.

(3) Where all or any part of a time deposit issued under this paragraph is paid before maturity, a depositor shall forfeit an amount equal to at least all interest earned on the amount withdrawn.

(k) *Time deposits with original maturities of 3½ years or more.*

(1) Notwithstanding paragraphs (b) and (d), a member bank may pay interest at any rate as agreed to by the depositor on any time deposit with an original maturity of 3½ years or more that has no minimum denomination but is made available in a denomination of \$500.

(2) Any time deposit with an original maturity of 1½ years or more issued pursuant to this paragraph may provide by contract that additional deposits may be made to the account for a period of one year from the date that it is established without extending the original maturity date of the account. Deposits made to the account more than one year after the date that it is established shall extend the maturity of the entire account for a period of time at least equal to the original term of the account.

(3) Any time deposit offered pursuant to this paragraph may be issued in a negotiable or nonnegotiable form.

(4)(i) Effective April 1, 1983, this paragraph is amended by striking the term "3½ years" wherever it appears and inserting in its place the term "2½ years".

(ii) Effective April 1, 1984, this paragraph is amended by striking the term "2½ years" wherever it appears and inserting in its place "1½ years".

(iii) Effective April 1, 1985, this para-

graph is amended by striking the term "1½ years" wherever it appears in subparagraph (1) and inserting in its place "6 months".

(l) *7- to 31-day time deposits of \$20,000 or more.* (1) Notwithstanding paragraphs (b) and (d), a member bank may pay interest on any nonnegotiable time deposit of \$20,000 or more, with a maturity or required notice period of not less than 7 days nor more than 31 days, at a rate not to exceed the ceiling rates set forth below. However, a member bank shall not pay interest in excess of the ceiling rate for regular savings deposits or accounts on any day the balance in a time deposit issued under this paragraph is less than \$20,000. Rounding any rate upward is not permitted.

(2)(i) For fixed-interest-rate, fixed-maturity time deposits issued under this paragraph, the ceiling rate of interest payable by a member bank shall be the rate established and announced (auction average on a discount basis) for U.S. Treasury bills with maturities of 91 days at the auction held immediately prior to the date of deposit or renewal ("bill rate") minus one-quarter of 1 percentage point (25 basis points).

(ii) For variable-interest-rate, fixed-maturity time deposits and for all notice accounts issued under this paragraph, the ceiling rate of interest payable by a member bank shall be the bill rate in effect on the date of opening or renewal of the account minus one-quarter of 1 percentage point (25 basis points). The interest rate on the account then may be adjusted to be not in excess of the bill rate, minus 25 basis points, established and announced at the most recent subsequent auction during the life of the deposit but not less often than every 31 days.

(iii) Notwithstanding subparagraphs (2)(i) and (2)(ii) of this paragraph, a member bank may pay interest at a rate not to exceed the bill rate on any time deposit issued under this paragraph which consists of funds deposit-



ed to the credit of, or in which the entire beneficial interest is held by—

(A) the United States, any state of the United States, or any county, municipality or political subdivision thereof, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, American Samoa, Guam, or political subdivision thereof; or

(B) an individual pursuant to an individual retirement account agreement or Keogh (H.R. 10) plan established pursuant to 26 USC (IRC 1954) 219, 401, 404, 408 and related provisions.

(iv) The ceiling rates in subparagraphs (2)(i), (2)(ii) and (2)(iii) of this paragraph shall not apply—

(A) if the bill rate is 9 percent or below at the four most recent auctions of U.S. Treasury bills with maturities of 91 days held prior to the date of deposit or renewal. A member bank may pay interest at any rate as agreed to by the depositor on this category of deposit for deposits issued or renewed during such period; or

(B) effective May 1, 1983. A member bank may pay interest at any rate as agreed to by the depositor on this category of deposit for deposits issued or renewed on or after May 1, 1983.

(3)(i) A member bank is not permitted—

(A) to lend funds to a depositor upon the security of a time deposit that it has issued under this paragraph, or

(B) to lend funds to a depositor to meet or maintain the minimum denomination requirement of a time deposit issued under this paragraph.

(ii) The rate of interest and any other charges imposed on an overdraft credit arrangement to which withdrawals are paid or to which payments upon maturity or expiration of a required notice period are made from an account issued under this paragraph must be not

less than those imposed on such overdrafts for customers that do not possess an account issued under this paragraph at the same institution.

(4)(i) Where all or any part of a time deposit issued under this paragraph is paid before maturity or expiration of the required notice period, a depositor shall forfeit an amount at least equal to the greater of—

(A) all interest earned on the amount withdrawn from the most recent of the date of deposit, date of maturity, or date on which notice was given, or

(B) all interest that could have been earned on the amount withdrawn during a period equal to one-half the maturity period or required notice period.

(ii) Where all or any part of a time deposit issued under this paragraph is withdrawn within one business day after the maturity date of the deposit or the date of expiration of notice of withdrawal, no early withdrawal penalty is required to be applied on the amount withdrawn.

(5) Additional deposits to an account issued under this paragraph with a fixed maturity must be maintained in the account for a period at least equal to the original term of the account and may be regarded as having matured individually and having been redeposited at intervals equal to such period. For accounts issued under this paragraph that are subject to a notice period, additional deposits must remain in the account for a period equal to at least the notice period before such funds may be withdrawn without the imposition of an early withdrawal penalty.

(6) Deposits to any account issued under this paragraph may not be made by automatically transferring funds from another account of the depositor at the same institution where the transfer is initiated by the level of the balance in any account.

(7)(i) Withdrawals from any account issued under this paragraph may not be made (A) by check, draft, or other

third party payment instrument or instruction drawn or issued by the depositor, or (B) by automatically transferring funds to another account of the depositor where the transfer is initiated by the level of balance in any account held by the depositor.

(ii) Payments at maturity or withdrawals may be paid by (A) check or cash to the depositor, (B) cash, draft, or electronic transfer issued by the institution to a third party, or (C) transfer to any other account held by the depositor.

(iii) Notice of withdrawal of an account issued under this paragraph may be delivered by the depositor to the institution by telephone or other telecommunication, mail, messenger, standing order, or by appearance in person at the offices or premises of the institution.