

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 8157]
August 9, 1977

REGULATION Q

Temporary Suspension of Early Withdrawal Penalty for Johnstown Flood Victims

*To All Member Banks, and Others Concerned,
in the Second Federal Reserve District:*

The Board of Governors of the Federal Reserve System has temporarily suspended, through January 31, 1978, the Regulation Q penalty for the withdrawal of time deposits from member banks prior to maturity by depositors affected by the recent storms and flooding in Johnstown, Pennsylvania, and neighboring areas in that State. The Board of Governors' action is retroactive to July 21, 1977.

Enclosed is a copy of the Board's Order in this matter. Any questions regarding the Board's action may be directed to our Consumer Affairs Division (Tel. No. 212-791-5919).

PAUL A. VOLCKER,
President.

Board of Governors of the Federal Reserve System

REGULATION Q

SECTION 217.4—PAYMENT OF TIME DEPOSITS BEFORE MATURITY

Order Granting Temporary Suspension of Early Withdrawal Penalty

Effective July 21, 1977 through January 31, 1978

§ 217.4(d)—Penalty for early withdrawals.

The Board of Governors has suspended temporarily the Regulation Q penalty for the withdrawal of time deposits prior to maturity from member banks (12 CFR § 217.4(d)) for depositors affected by the severe storms and flooding beginning about July 19, 1977, in the Commonwealth of Pennsylvania. On July 21, 1977, pursuant to section 301 of the Disaster Relief Act of 1974 (42 U.S.C. § 5141) and Executive Order 11795 of July 11, 1974, the President designated the following counties of the Commonwealth of Pennsylvania a major disaster area: Bedford, Cambria, Clearfield, Indiana, Jefferson, Somerset and Westmoreland. 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, in fact, 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 application describing fully the disaster-related loss. This application should be approved and certified by an officer of the bank. This action will be retroactive to July 21, 1977, and will remain in effect until 12 midnight January 31, 1978.

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 § 217.4(d) of Regulation Q for the benefit of depositors suffering disaster-related losses within those geographical areas of the Commonwealth of Pennsylvania 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 flooding in the designated counties of Pennsylvania, the Board finds that 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 that 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, the Board finds that there is good cause to make the action effective immediately.

By order of the Board of Governors, effective August 3, 1977.

¹ Section 217.4(d) of Regulation Q provides that where a time deposit, or any portion thereof, is paid before maturity, a member bank may pay interest on the amount withdrawn at a rate not to exceed that currently prescribed for a savings deposit and that the depositor shall forfeit three months of interest payable at such rate.

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