

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 8202]
October 20, 1977

REGULATION Q

—Temporary Suspension of Early Withdrawal Penalty for Kansas Flood Victims
—Delegation of Authority for Major Disaster Areas

*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 March 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 the State of Kansas. The Board of Governors' action is retroactive to September 20, 1977.

In a related action, the Board of Governors amended its Rules Regarding Delegation of Authority to delegate to the Secretary of the Board authority to permit member banks to waive the Regulation Q penalty for early withdrawal of time deposits in communities declared by the President to be major disaster areas.

Enclosed are copies of the Board's Order in the State of Kansas matter and of the amendment to the Board's Rule. Any questions regarding the Board's actions 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 September 20, 1977 through March 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 September 12, 1977, in the State of Kansas. On September 20, 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 State of Kansas a major disaster area: Atchison, Brown, Doniphan, Jackson, Jefferson, Johnson, Leavenworth, Nemaha, Shawnee and Wyandotte. 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 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 September 20, 1977, and will remain in effect until 12 midnight March 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 State of Kansas 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 Kansas, 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.

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.

Board of Governors of the Federal Reserve System

RULES REGARDING DELEGATION OF AUTHORITY

AMENDMENT

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final rule.

SUMMARY: In order to expedite and facilitate the performance of certain of its functions, the Board of Governors has delegated to the Secretary of the Board authority to permit member banks to waive the penalty for early withdrawal of a time deposit in § 217.4(d) of Regulation Q for depositors suffering disaster-related losses in areas declared a major disaster area by the President.

EFFECTIVE DATE: September 27, 1977.

FOR FURTHER INFORMATION CONTACT:

Theodore E. Allison, Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551 (202-452-3257).

SUPPLEMENTARY INFORMATION: Section 217.4(d) of Regulation Q (12 CFR § 217.4(d)) 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. The Board of Governors has amended its Rules Regarding Delegation of Authority to authorize the Secretary of the Board to permit member banks to waive the early withdrawal penalty in those situations in which the President of the United States, pursuant to section 301 of the Disaster Relief Act of 1974 (42 U.S.C. 5141) and Executive Order No. 11795 of July 11, 1974, has designated an area a major disaster area. The Board regards a Presidential declaration of a major disaster area as recognition by the Federal government that a disaster of major proportions has occurred and under such circumstances believes it appropriate to provide an additional measure of assistance to disaster victims by temporarily suspending the Regulation Q early with-

drawal penalty. Pursuant to this delegation, a waiver of the early withdrawal penalty will be limited in effectiveness to depositors suffering disaster-related losses in a geographical area designated a major disaster area by a Presidential declaration.

The provisions of section 553 of Title 5, United States Code, relating to notice and public participation and deferred effective date are not followed in connection with this amendment because the change involved therein is procedural in nature and does not constitute a substantive rule subject to the requirements of such section.

Effective September 27, 1977, a new paragraph 265.2(a) (18) is added to read as follows:

§ 265.2 Specific functions delegated to Board employees and to Federal Reserve Banks.

(a) The Secretary of the Board (or, in the Secretary's absence, the Acting Secretary) is authorized:

* * * * *

(18) Under the provisions of section 19(j) of the Federal Reserve Act (12 U.S.C. 371b) and §§ 217.4(a) and (d) of Regulation Q (12 CFR 217.4(a) and (d)) to permit member banks to waive the penalty for early withdrawal of a time deposit in § 217.4(d) if all of the following conditions are met:

(i) The President of the United States declares an area a major disaster area pursuant to section 301 of the Disaster Relief Act of 1974 (42 U.S.C. 5141) and Executive Order No. 11795 of July 11, 1974.

(ii) A waiver is limited in effectiveness to depositors suffering disaster-related losses in the officially designated disaster area.

(iii) The appropriate Reserve Bank recommends approval.

(iv) All relevant divisions of the Board's staff recommend approval.

For this Regulation to be complete, retain:

- 1) Printed pamphlet, as amended effective September 1, 1977.
- 2) This slip sheet.

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