

FEDERAL RESERVE BANK OF NEW YORK

At. Cir. No. 904

July 2, 1981

REGULATION Q POLICY CONCERNING EARLY WITHDRAWAL PENALTY ON
TIME DEPOSITS OF IRANIAN ENTITIES

*To The Chief Executive Officers of All Member Banks
in the Second Federal Reserve District:*

Following is the text of a statement issued by the Board of Governors of the Federal Reserve System concerning the early withdrawal penalty on time deposits representing Iranian financial assets:

The Department of Treasury has recently amended its Foreign Asset Control Regulation (31 C.F.R. Part 535) to provide for the transfer of Iranian financial assets. The effective date for the transfer of these assets will be determined by the Treasury in the near future.

It is likely that the required transfer of Iranian assets held in the form of time deposits at member banks may require the payment of these time deposits before maturity. Ordinarily, Section 217.4(d) of Regulation Q would require member banks to impose a penalty for such early withdrawals. However, the Board had determined that in view of the circumstances surrounding this matter, the early withdrawal penalty need not be applied to the payment prior to maturity of time deposits representing Iranian financial assets which are transferred by member banks pursuant to Treasury's Foreign Asset Control Regulations.

ANTHONY M. SOLOMON,
President.