

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. 9210
December 10, 1981]

DEPOSITORY INSTITUTIONS DEREGULATION COMMITTEE

Rescission of Waiver of Early Withdrawal Penalties Ruling on New IRA/Keogh Accounts

*To all Commercial Banks, Mutual Savings Banks,
and Savings and Loan Associations in the Second
Federal Reserve District, and Others Concerned:*

As announced in our Circular No. 9196, dated November 25, 1981, the Depository Institutions Deregulation Committee (DIDC) has voted to retain the new IRA/Keogh deposit category that it adopted at its September 22 meeting, which has a minimum maturity of 1-½ years and no regulated interest rate ceiling. The Committee also decided that it would *not* permit the waiver of early withdrawal penalties for the transfer of existing IRA/Keogh accounts to the new IRA/Keogh deposit instrument. The DIDC ruling, which originally created the new IRA/Keogh deposit category, was sent to member banks in this District with our Circular No. 9177, dated October 30, 1981; copies of that ruling will be furnished upon request directed to the Circulares Division of this Bank.

Printed on the reverse side is the text of the DIDC's order rescinding its earlier ruling providing for a waiver of the mandatory penalty for early withdrawal for transfers within an institution of an existing IRA/Keogh time deposit to the new IRA/Keogh deposit category.

Questions regarding this matter may be directed to our Consumer Affairs and Bank Regulations Department (Tel. No. 212-791-5914).

ANTHONY M. SOLOMON,
President.

(OVER)

**DEPOSITORY INSTITUTIONS
DEREGULATION COMMITTEE**

12 CFR Part 1204

[Docket No. D-0024]

New IRA/Keogh Time Deposits

AGENCY: Depository Institutions Deregulation Committee.

ACTION: Rescission of final rule on waiver of penalties for early withdrawal.

SUMMARY: The Depository Institutions Deregulation Committee (the "Committee") has rescinded the waiver of mandatory penalties for early withdrawal for transfers within an institution of IRA/Keogh time deposits in existence on or prior to December 1, 1981, to the new IRA/Keogh time deposit category established by the Committee at its last meeting. On the basis of information developed since its adoption, the Committee has determined that the waiver is likely to have adverse effects (in terms of increased costs) to depository institutions. Accordingly, transfers within an institution of any existing time deposit to the new IRA/Keogh category will be subject to the rules governing penalties for early withdrawal.

EFFECTIVE DATE: November 20, 1981.

FOR FURTHER INFORMATION, CONTACT:

Allan Schott, Attorney-Advisor, or Elaine Boutilier, Attorney-Advisor, Department of the Treasury, (202) 566-6798 or 566-8737; Daniel L. Rhoads, Attorney, Board of Governors of the Federal Reserve System, (202) 452-3711; Rebecca H. Laird, Senior Associate General Counsel, Federal Home Loan Bank Board, (202) 377-6448; David Ansell, Attorney, Office of the Comptroller of the Currency, (202) 47-1880; Randall J. Miller, Acting Director, Office of Policy Analysis, National

Credit Union Administration, (202) 357-1090; and F. Douglas Birdzell, Counsel, or Joseph A. DiNuzzo, Attorney, Federal Deposit Insurance Corporation, (202) 389-4324 or 389-4237.

SUPPLEMENTARY INFORMATION: At its meeting of September 22, 1981, the Committee adopted a final rule establishing a new IRA/Keogh time deposit category to be effective on December 1, 1981. See Committee Docket No. D-0024 (October 23, 1981); 46 FR 53395 (October 29, 1981). The new deposit category is to have a minimum maturity of 1½ years and no regulatory interest-rate ceiling. Accounts established under the new category may be structured to permit additions at an time without extending the maturity of the funds in the account. The Committee also waived mandatory penalties for early withdrawal for transfers within an institution from any other IRA/Keogh account in existence on or prior to December 1, 1981, to the new account category.

On the basis of information developed since its last meeting, the Committee has determined that waiver of the mandatory penalties for early withdrawal is likely to have adverse effects on the cost to depository institutions of the transferred accounts. Moreover, the effects of these increased costs would have a greater impact on thrift institutions, which already are experiencing severe pressure on earnings. These adverse effects outweigh the potential benefits to existing IRA/Keogh account depositors that would result from the waiver.

Therefore, the Committee has decided to rescind the waiver of the mandatory penalties for early withdrawal contained in the final rule on the new IRA/Keogh time deposit category. Accordingly, transfers within an institution of any existing time deposit to the new IRA/Keogh category will be

subject to the rules governing penalties for early withdrawal of time deposits. This action will not affect the other provisions of the rule to be effective on December 1, 1981.

The Committee requested comments on options, including waiver of the mandatory penalties for early withdrawal, for IRA/Keogh time deposits at its meeting of December 12, 1980, and finds that further notice and public procedure pursuant to the provisions of 5 U.S.C. 553 with regard to this action are unnecessary. The Committee also finds that waiver of the deferred effective date provision of 5 U.S.C. 553 is necessary to assure rescission of the previous action before its effective date. In view of the Committee's findings, sections 603 and 604 of the Regulatory Flexibility Act (5 U.S.C. 603 and 604) are not applicable. Furthermore, because of the nature of this action, the Committee finds that good cause exists under § 1201.6(e) of the Committee's regulations for making the action effective less than 30 days from the date of publication in the Federal Register.

Pursuant to its authority under section 203(a) of the Depository Institutions Deregulation Act of 1980 (Title II of Pub. L. 96-221; 12 U.S.C. 3502(a)), the Committee amends Part 1204, Chapter XII of Title 12, *Code of Federal Regulations* as set forth below:

PART 1204—INTEREST ON DEPOSITS

§ 1204.118 [Amended]

Amend § 1204.118 by removing paragraph (b) and the designation "(a)" from the first paragraph.

By order of the Committee, November 24, 1981.

Steven L. Skancke,
Executive Secretary.