

73<sup>D</sup> CONGRESS  
2<sup>D</sup> SESSION

# S. 3700

---

IN THE SENATE OF THE UNITED STATES

MAY 28 (calendar day, MAY 30), 1934

MR. FLETCHER introduced the following bill; which was read twice and referred to the Committee on Banking and Currency

---

## A BILL

To amend section 19 of the Federal Reserve Act, as amended, and for other purposes.

1           *Be it enacted by the Senate and House of Representa-*  
2           *tives of the United States of America in Congress assembled,*

3           That the last two paragraphs of section 19 of the Federal  
4           Reserve Act (U.S.C., title 12, secs. 371a-371b), are  
5           amended to read as follows:

6           “ No member bank shall, directly or indirectly by any  
7           device whatsoever, pay any interest on any deposit which is  
8           payable on demand: *Provided*, That nothing herein contained  
9           shall be construed as prohibiting the payment of interest  
10          in accordance with the terms of any certificate of deposit or

1 other contract entered into in good faith which is in force on  
2 the date on which the bank becomes subject to the provisions  
3 of this paragraph; but no such certificate of deposit or other  
4 contract shall be renewed or extended unless it shall be modi-  
5 fied to conform to this paragraph, and every member bank  
6 shall take such action as may be necessary to conform to this  
7 paragraph as soon as possible consistently with its con-  
8 tractual obligations: *Provided, however,* That this paragraph  
9 shall not apply to any deposit of such bank which is payable  
10 only at an office thereof located outside of the States of the  
11 United States and the District of Columbia, or to any de-  
12 posit made by a mutual savings bank, and shall not apply to  
13 any deposit of public funds made by or on behalf of any  
14 State, county, school district, or other subdivision or mu-  
15 nicipality, or to any deposit of trust funds, if the payment  
16 of interest with respect to such deposit of public funds or of  
17 trust funds is required by State law.

18 “ The Federal Reserve Board shall from time to time  
19 limit by regulation the rate of interest which may be paid  
20 by member banks on time and savings deposits, and for  
21 such purpose may classify time and savings deposits accord-  
22 ing to maturities, conditions respecting receipt, withdrawal,  
23 or repayment, locations of banks or otherwise as it may  
24 deem necessary in the public interest, and prescribe different  
25 rates for deposits of different classes. Notwithstanding the

1 provisions of the first paragraph of this section, the Federal  
2 Reserve Board is authorized to define the terms 'time  
3 deposits', 'savings deposits', 'deposits payable on demand',  
4 and 'trust funds' for the purposes of this paragraph and  
5 the paragraph immediately preceding, to determine what  
6 shall be deemed to be a payment of interest for the purposes  
7 of such paragraphs, and to prescribe such rules and regula-  
8 tions as it may deem necessary to effectuate the provisions  
9 of such paragraphs in accordance with their purposes and  
10 to prevent evasions of such provisions. No member bank  
11 shall pay any time deposit before its maturity except upon  
12 such conditions and in accordance with such rules and  
13 regulations as may be prescribed by the Federal Reserve  
14 Board, or waive any requirement of notice before payment  
15 of any savings deposit except as to all savings deposits  
16 having the same requirements: *Provided, however,* That  
17 the provisions of this paragraph shall not apply to any  
18 deposit which is payable only at an office of a member  
19 bank located outside of the States of the United States  
20 and the District of Columbia. Every bank whose deposits  
21 are insured under the provisions of section 12B of this Act  
22 shall comply with the provisions of this paragraph and  
23 the paragraph immediately preceding and with the rules  
24 and regulations prescribed by the Federal Reserve Board  
25 pursuant thereto. Any director or officer of any bank who

1 shall have continued to violate the provisions of this or  
2 the preceding paragraph or the rules or regulations issued  
3 pursuant thereto after having been warned to desist there-  
4 from may be removed from office in accordance with the  
5 provisions of section 30 of the Banking Act of 1933: *Pro-*  
6 *vided*, That, in the case of a director or officer of a non-  
7 member bank, the warning and certification provided for  
8 therein shall be given by the Federal Deposit Insurance  
9 Corporation.”

73<sup>d</sup> CONGRESS }  
2<sup>d</sup> SESSION }

**S. 3700**

---

---

**A BILL**

To amend section 19 of the Federal Reserve Act, as amended, and for other purposes.

---

---

By Mr. FLETCHER

---

---

MAY 30, 1934

Read twice and referred to the Committee on  
Banking and Currency