

**FEDERAL RESERVE BANK
OF DALLAS**

Dallas, Texas, January 18, 1937

DISCONTINUANCE OF PAYMENT OF INTEREST ON CERTAIN PUBLIC FUNDS

To the Member Bank Addressed:

Your attention is invited to the following provisions of Section 19, of the Federal Reserve Act, as amended by the Banking Act of 1935:

“No member bank shall . . . pay any interest on any deposit which is payable on demand: Provided . . . That until the expiration of two years after the date of enactment of the Banking Act of 1935, this paragraph shall not apply . . . to any deposit of public funds made by or on behalf of any State, county, school district, or other sub-division or municipality, or to any deposit of trust funds if the payment of interest with respect to such deposit of public funds or of trust funds is required by State law.”

Pursuant to the above provisions of law, the Board of Governors of the Federal Reserve System has ruled that no **member** bank may lawfully pay interest accruing after August 23, 1937, on any demand deposit of public funds, regardless of whether or not the payment of interest on such funds is required by State law.

Inasmuch as it is usually customary at this season of the year for many State, county, and school officials to award or renew annual or biennial contracts with depositories of public funds, we thought it would be helpful to call the attention of our member banks to the above quoted law and ruling in order that they may avoid making any commitments in conflict therewith.

Yours very truly,

B. A. McKINNEY,

President