

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, June 18, 1952.

PRESENT: Mr. Martin, Chairman
 Mr. Szymczak
 Mr. Evans
 Mr. Vardaman
 Mr. Powell
 Mr. Mills
 Mr. Robertson

Mr. Carpenter, Secretary
 Mr. Sherman, Assistant Secretary

Minutes of actions taken by the Board of Governors of the Federal Reserve System on June 17, 1952, were approved unanimously.

Letter to Mr. William A. Lyon, Superintendent of Banks, New York State Banking Department, 270 Broadway, New York, New York, reading as follows:

"This supplements the conversation which Mr. Leonard and Mr. Hackley of the Board's staff had with you on Monday morning, June 16, regarding the questions raised in your letter of June 6, 1952 as to the interpretation of the Board's amendment to Regulation Q regarding days of grace on savings deposits.

"The Board's Regulation Q does not purport to say what days of grace may be allowed by a member bank in computing interest on savings deposits, as such. Pursuant to the Board's statutory authority to prescribe maximum interest rates, the regulation provides in effect that the maximum rate of interest which a member bank may pay on any savings deposits is that prescribed in the Supplement (currently 2-1/2 per cent) plus the additional interest which results from the allowance of days of grace as stated in section 3(d) of the regulation. As far as the Board's regulation is concerned, if a member bank is paying less than the maximum rate prescribed in the Supplement, the days of grace provisions are not applicable unless they would increase the effective rate of interest to more than the maximum otherwise permitted by the regulation. In practice, the days of grace permitted

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"under the Board's regulation are significant only where the member bank is paying the maximum rate specified in the Supplement to the Regulation.

"Similarly, section 24 of the Federal Reserve Act does not limit national banks to the days of grace permitted under State laws as to State banks but merely prohibits national banks from paying interest at a rate greater than the maximum rate authorized by State law.

"Therefore, a national bank in the State of New York in computing interest on savings deposits cannot allow grace periods in excess of those permitted by your regulation, if the national bank is paying the maximum specified rate (currently 2-1/2 per cent). In such a case, therefore, the national bank would be governed by the three-day grace provision of your regulation rather than the five-day grace provision of Regulation Q. On the other hand, if the national bank were paying sufficiently less than the specified maximum rate of interest, it would not be prohibited from allowing five days of grace in computing interest on savings deposits, or even a greater grace period depending upon the rate of interest paid.

"With respect to your second question, the provisions of Regulation Q regarding days of grace apply only to savings deposits represented by passbooks and do not apply to any other type of time deposits. With time deposits as well as with savings deposits, the Board's regulation relates only to the maximum rate of interest that may be paid.

"We are glad to learn that these interpretations are in accordance with your own views."

Approved unanimously.

Memorandum dated June 17, 1952, from Mr. Chase, Assistant Solicitor, recommending for reasons stated therein that in accordance with the recommendation of the Federal Reserve Bank of Richmond, the Solicitor's office be authorized to seek a consent injunction against Wheaton Park, Inc., and Messrs. N. J. Taube, Nathan H. Levin, and

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James B. Evans (owners of Sligo Park Hills), all of Washington, D. C., registrants under Regulation X, Real Estate Credit, restraining them from further violations of the regulation.

Approved unanimously.



Secretary.