

FEDERAL RESERVE BANK  
OF NEW YORK

[Circular No. 1583]  
August 30, 1935]

Rate of Interest Lawfully Payable After October 1, 1935 on Time and Savings  
Deposits by Member Banks in the State of New York

To all Member Banks in the State of New York:

The Banking Board of the State of New York has adopted a regulation which reads as follows:

“RESOLUTION No. 200

“Regulation of the Banking Board adopted June 21, 1935, prescribing 2% per annum as the maximum interest or dividend rate payable after October 1, 1935 by banks, trust companies, private bankers and savings banks.

“1. No bank, trust company or private banker shall pay interest accruing after October 1, 1935, on any time, thrift or savings deposit or any part thereof, at a rate in excess of 2% per annum, compounded quarterly; provided, however, that a bank, trust company or private banker may pay interest in accordance with the terms of any certificate of deposit or other contract which was lawfully entered into in good faith prior to June 26, 1935, and in force on that date, and which may not legally be terminated or modified by such bank, trust company or private banker, at its or his option; but no such certificate of deposit or other contract shall be renewed or extended, unless it be modified to conform with the provisions of this regulation and all such certificates of deposit or other contracts shall be terminated, or modified to conform with this regulation, at the earliest possible date, in accordance with the terms thereof. This regulation shall not prevent the compounding of interest at other than quarterly intervals, provided the aggregate amount of interest so compounded shall not exceed the aggregate amount of interest at 2% per annum, compounded quarterly.

“2. No savings bank shall pay any dividend accruing after October 1, 1935 on any deposit there-with at a rate in excess of 2% per annum compounded quarterly. Dividends may be compounded at other than quarterly intervals if the aggregate of dividends so compounded shall not exceed the aggregate of dividends at 2% per annum, compounded quarterly.”

Section 208 of the Banking Act of 1935, approved August 23, 1935, amends Section 24 of the Federal Reserve Act, as amended, to provide, in part, as follows:

“Any such (national banking) association may continue hereafter as heretofore to receive time and savings deposits and to pay interest on the same, but the rate of interest which such association may pay upon such time deposits or upon savings or other deposits shall not exceed the maximum rate authorized by law to be paid upon such deposits by State banks or trust companies organized under the laws of the State in which such association is located.”

Subsection (c) (3) of Section III and subsection (c) (3) of Section V of the Federal Reserve Board's Regulation Q, effective February 1, 1935, provide, respectively, as follows:

“The rate of interest paid by a member bank upon a time deposit shall not in any case exceed (i) the maximum rate prescribed in paragraph 1 of this subsection, or (ii) the maximum rate authorized by law to be paid upon such deposits by State banks or trust companies organized under the laws of the State in which such member bank is located, whichever may be less.”

“The rate of interest paid by a member bank upon a savings deposit shall not in any case exceed (i) the maximum rate prescribed in paragraph 1 of this subsection, or (ii) the maximum rate authorized by law to be paid upon such deposits by State banks or trust companies organized under the laws of the State in which such member bank is located, whichever may be less.”

The Board of Governors of the Federal Reserve System has requested me to advise you that it is its view that by virtue of the regulation of the Banking Board and of the provisions of Section 24 of the Federal Reserve Act, as amended, and the Board's Regulation Q set forth above, the rate of interest accruing after October 1, 1935, and during the period that such regulation is legally in effect, which a national bank or other member bank located in the State of New York may lawfully pay on time or savings deposits may not exceed the rate of 2 per centum per annum prescribed in such regulation of the Banking Board.

For your further information, the Board of Governors of the Federal Reserve System has advised me that it will not object to the payment of interest by a national bank at a rate greater than 2 per centum per annum in accordance with the terms of, and until the termination of, any contract existing on the date on which such bank receives this notice of the limitations effective after October 1, 1935, provided such rate is otherwise in conformity with the provisions of Regulation Q and the contract is terminated as soon as possible under the terms thereof.

J. H. CASE,  
Federal Reserve Agent.