

FEDERAL RESERVE BANK  
OF NEW YORK

[ Circular No. 1612 ]  
[ November 26, 1935 ]

Rate of Interest Lawfully Payable After January 1, 1936 on Time and Savings  
Deposits by Member Banks in the State of New Jersey

To all Member Banks in the State of New Jersey  
Located in the Second Federal Reserve District:

The Banking Advisory Board of the State of New Jersey has adopted a regulation which has been approved by the Commissioner of Banking and Insurance of the State of New Jersey and which provides, in effect, that no bank, trust company or savings bank shall pay interest or dividends accruing after January 1, 1936 on any time, thrift or savings deposit at a rate in excess of 2% per annum, compounded quarterly (subject to a proviso with reference to the distribution of excess surplus not oftener than once every three years by mutual savings banks as provided by law). A copy of such regulation, together with a copy of the letter dated October 8, 1935, from the Commissioner of Banking and Insurance of the State of New Jersey to banks, trust companies, savings banks and private bankers, transmitting to them a copy of the regulation, is printed on the following pages of this circular.

Section 24 of the Federal Reserve Act, as amended, provides, 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 Regulation Q of the Board of Governors of the Federal Reserve System, 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 advised me that in its opinion, in view of the provisions of Section 24 of the Federal Reserve Act and of the regulation of the Banking Advisory Board of the State of New Jersey, the rate of interest accruing after January 1, 1936, 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 Jersey may lawfully pay on time or savings deposits, may not exceed the rate of 2 per centum per annum prescribed in such regulation. The Board of Governors of the Federal Reserve System has also 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 January 1, 1936, 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.

FEDERAL RESERVE BANK  
STATE OF NEW JERSEY

DEPARTMENT OF BANKING AND INSURANCE

BUREAU OF BANKING

TRENTON

OFFICE IN  
STATE HOUSE ANNEX

October 8, 1935

To all Banks, Trust Companies, Saving Banks  
and Private Bankers:

For your information and guidance, there is enclosed  
herewith a copy of a regulation, approved by me, governing  
interest rates, adopted by the Banking Advisory Board on  
Friday, October 4, 1935. Strict compliance by your institu-  
tion with this regulation is expected.

Very truly yours,

CARL K. WITHERS

Commissioner.

The following regulation governing interest rates was adopted by the Banking Advisory Board at its first meeting held in Trenton on October 4, 1935:

1. No bank, trust company, or savings bank having shares of capital stock shall pay, or undertake or promise to pay interest or dividends accruing after January 1st, 1936, on any time, thrift, or savings deposit, or on any part thereof, at a rate in excess of 2 per centum per annum compounded quarterly; provided, that any bank, trust company or savings bank having shares of capital stock may pay interest in accordance with the terms of any certificate of deposit or other contract entered into in good faith prior to October 4, 1935, and in force on that date, and which may not be modified or terminated by such bank, trust company or savings bank, at its 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 hereof.

2. No savings bank organized under or subject to the provisions of the Act entitled "An Act concerning savings banks", being Chapter 95 of the Laws of 1906, its amendments and supplements, and no savings banks organized under any special act, other than those having shares of capital stock, shall pay or undertake or agree to pay interest or dividends accruing after January 1, 1936, at a rate in excess of 2 per centum per annum, compounded quarterly; provided, however, that nothing in this regulation contained shall be construed as prohibiting or preventing such savings bank from dividing the excess of its surplus above fifteen per centum of its deposits as an extra dividend to depositors as provided by law; provided further that such distribution of excess surplus to depositors shall not be made oftener than once every three years; and provided, that no such savings bank shall, after January 1, 1936, make such division of excess surplus within a period of three years from the date of its last distribution to depositors of such excess surplus. The provisions of paragraph 1 of this regulation affecting certificates of deposits and other contracts shall apply to and be binding upon all savings banks, with or without shares of capital stock, and regardless of whether organized under special or general act.

3. Nothing contained in this regulation shall be construed to prevent the compounding of interest or dividends at other than quarterly intervals, provided the aggregate amount of interest or dividends so compounded shall not exceed the aggregate amount of interest at 2 per centum per annum, compounded quarterly.

Any violation of the provisions of this regulation will be considered a violation of Chapter 189, P. L. 1935, an act creating the Banking Advisory Board and defining its duties.