

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 4911]
July 8, 1960

Amendment to Regulation Y
and Reprinting of Regulations E and Q

*To All Banks, and Others Concerned,
in the Second Federal Reserve District:*

Enclosed is a copy of an amendment, effective July 1, 1960, to Regulation Y (Bank Holding Companies) of the Board of Governors of the Federal Reserve System. The amendment provides for publication in the Federal Register of a notice of receipt of each application for acquisition of bank shares or assets under Section 4 of the regulation, such notice to contain information on the application and to allow time for the submission of written comments or views. The amendment also contains a provision requiring the submission of four copies of each application, instead of three, if the application involves both a national bank and a State bank.

Also enclosed for those on our mailing list to receive them are copies of Regulations E and Q, and the Supplement to Regulation Q, which have been reprinted only to incorporate outstanding amendments and to conform with the style of the Code of Federal Regulations.

Additional copies of any of the enclosures will be furnished upon request.

ALFRED HAYES,
President.

BANK HOLDING COMPANIES

AMENDMENT TO REGULATION Y

ISSUED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Effective July 1, 1960, paragraphs (d) and (e) of section 4 of Regulation Y are amended to read as follows:

(d) **Submission of applications.**—An application for approval by the Board of any transaction requiring such approval under paragraph (a) of this section shall be filed with the Federal Reserve Bank.* Three copies of such application shall be filed except where, pursuant to the provisions of paragraph (e) of this section, copies of the application are required to be transmitted to both the Comptroller of the Currency and the appropriate State supervisory authority, in which circumstances four copies of the application shall be filed. The application shall be filed not less than 60 days before the date on which it is proposed that the transaction requiring approval be consummated.³ However, the Board in its discretion may, upon good cause shown, accept an application although submitted within such period of 60 days. A separate application shall be filed with respect to each bank the voting shares or assets of which are sought to be acquired by an existing bank holding company or nonbanking subsidiary thereof.

(e) **Procedure on applications.**— (1) A Federal Reserve Bank receiving an application under this section will retain one copy thereof and will forward all other copies to the Board. If either the applicant or the bank the voting shares or assets of which are sought to be acquired is a national bank or a District bank, the Board will transmit a copy of the application to the Comptroller of the Currency. If either the applicant or the bank the voting shares or assets of

* The term "Federal Reserve Bank", as used herein, means the Federal Reserve Bank of the Federal Reserve district in which the applicant has its principal office.

³ In some cases it may not be possible for the Board to act upon an application within such period of 60 days and this requirement should not be regarded as suggesting that the Board will act upon all applications within that period of time, although every effort will be made to expedite such

which are sought to be acquired is a State bank, the Board will transmit a copy of the application to the bank supervisory authority of the State in which such bank is located.

(2) Following the receipt of an application under this section, the Board will publish in the Federal Register a notice of such receipt, stating the names and addresses of the applicant and the bank or banks involved, indicating the general nature of the proposed transaction, and allowing 30 days (or a shorter period in exceptional circumstances) for the submission of written comments or views. Such comments or views shall be submitted to the Board or to the Federal Reserve Bank for transmission to the Board.

BOARD OF GOVERNORS
of the
FEDERAL RESERVE SYSTEM

PURCHASE OF WARRANTS



REGULATION E
(12 CFR 205)

As amended effective August 21, 1959



INQUIRIES REGARDING THIS REGULATION

Any inquiry relating to this regulation should be addressed to the Federal Reserve Bank of the District in which the inquiry arises.

REGULATION E

(12 CFR 205)

As amended effective August 21, 1959

PURCHASE OF WARRANTS *

SECTION 205.1—STATUTORY REQUIREMENTS

Section 14 of the Federal Reserve Act reads in part as follows: ¹

Every Federal Reserve Bank shall have power—

To buy and sell, at home or abroad, bonds and notes of the United States, bonds of the Federal Farm Mortgage Corporation having maturities from date of purchase of not exceeding 6 months, bonds issued under the provisions of subsection (c) of section 4 of the Home Owners' Loan Act of 1933, as amended, and having maturities from date of purchase of not exceeding 6 months, and bills, notes, revenue bonds, and warrants with a maturity from date of purchase of not exceeding 6 months, issued in anticipation of the collection of taxes or in anticipation of the receipt of assured revenues by any State, county, district, political subdivision, or municipality in the continental United States, including irrigation, drainage and reclamation districts, such purchases to be made in accordance with rules and regulations prescribed by the Board of Governors of the Federal Reserve System: * * *

SECTION 205.2—DEFINITIONS

Within the meaning of this part:

(a) The term "warrant" shall be construed to mean "bills, notes, revenue bonds, and warrants with a maturity from date of purchase of not exceeding six months."

(b) The term "municipality" shall be construed to mean "State, county, district, political subdivision, or municipality in the States of the United States and the District of Columbia, including irrigation, drainage, and reclamation districts."

(c) The term "net funded indebtedness" shall be construed to mean the legal gross indebtedness of the municipality (including the amount of any school district or other bonds which depend for their redemption upon taxes levied upon property within the municipality) less the aggregate of the following items:

(1) The amount of outstanding bonds or other debt obligations made payable from current revenues;

(2) The amount of outstanding bonds issued for the purpose of providing the inhabitants of a municipality with public utilities,

* The text corresponds to the Code of Federal Regulations, Title 12, Chapter II, Part 205; cited as 12 CFR 205.

¹ 12 U.S.C., sec. 355.

such as waterworks, docks, electric plants, transportation facilities, etc.: *Provided*, That evidence is submitted showing that the income from such utilities is sufficient for maintenance, for payment of interest on such bonds, and for the accumulation of a sinking fund sufficient for their redemption at maturity;

(3) The amount of outstanding improvement bonds, issued under laws which provide for the levying of special assessments against abutting property in amounts sufficient to insure the payment of interest on the bonds and the redemption thereof at maturity: *Provided*, That such bonds are direct obligations of the municipality and included in the gross indebtedness of the municipality; and

(4) The total of all sinking funds accumulated for the redemption of the gross indebtedness of the municipality, except sinking funds applicable to bonds described in subparagraphs (1), (2), and (3) of this paragraph.

SECTION 205.3—CLASS OF WARRANTS ELIGIBLE FOR PURCHASE

Any Federal Reserve Bank may purchase warrants issued by a municipality in anticipation of the collection of taxes or in anticipation of the receipt of assured revenues, provided:

(a) They are the general obligations of the entire municipality; it being intended to exclude as ineligible for purchase all such obligations as are payable from "local benefit" and "special assessment" taxes when the municipality at large is not directly or ultimately liable;

(b) They are issued in anticipation of taxes or revenues which are due and payable on or before the date of maturity of such warrants; but the Federal Reserve Board may waive this condition in specific cases. For the purposes of this part, taxes shall be considered as due and payable on the last day on which they may be paid without penalty;

(c) They are issued by a municipality:

(1) Which has been in existence for a period of 10 years;

(2) Which for a period of 10 years previous to the purchase has not defaulted for longer than 15 days in the payment of any part of either principal or interest of any funded debt authorized to be contracted by it;

(3) Whose net funded indebtedness does not exceed 10 per centum of the valuation of its taxable property, to be

ascertained by the last preceding valuation of property for the assessment of taxes.

SECTION 205.4—"EXISTENCE" AND "NONDEFAULT"

Warrants will be construed to comply with that part of §205.3(c) relative to term of existence and nondefault, under the following conditions:

(a) Warrants issued by or in behalf of any municipality which was, subsequent to the issuance of such warrants, consolidated with or merged into an existing political division which meets the requirements of these regulations, will be deemed to be the warrants of such political division: *Provided*, That such warrants were assumed by such political division under statutes and appropriate proceedings the effect of which is to make such warrants general obligations of such assuming political division and payable, either directly or ultimately, without limitation to a special fund from the proceeds of taxes levied upon all the taxable real and personal property within its territorial limits.

(b) Warrants issued by or in behalf of any municipality which was, subsequent to the issuance of such warrants, wholly succeeded by a newly organized political division whose term of existence, added to that of such original political division or of any other political division so succeeded, is equal to a period of 10 years will be deemed to be warrants of such succeeding political division: *Provided*, That during such period none of such political divisions shall have defaulted for a period exceeding 15 days in the payment of any part of either principal or interest of any funded debt authorized to be contracted by it: *And Provided further*, That such warrants were assumed by such new political division under statutes and appropriate proceedings the effect of which is to make such warrants general obligations of such assuming political division and payable, either directly or ultimately, without limitation to a special fund from the proceeds of taxes levied upon all the taxable real and personal property within its territorial limits.

(c) Warrants issued by or in behalf of any municipality which, prior to such issuance, became the successor of one or more, or was formed by the consolidation or merger of two or more, pre-existing political divisions, the term of existence of one or more of which, added to that of such succeeding or consolidated political division, is equal to a period of 10 years, will be deemed to be warrants of a political division which has been in existence for a period of 10 years: *Provided*,

That during such period none of such original, succeeding, or consolidated political divisions shall have defaulted for a period exceeding 15 days in the payment of any part of either principal or interest of any funded debt authorized to be contracted by it.

SECTION 205.5—LIMITATIONS

(a) Except with the approval of the Federal Reserve Board, no Federal Reserve Bank shall purchase and hold an amount in excess of 25 per cent of the total amount of warrants outstanding at any time and issued in conformity with provisions of section 14(b), quoted in §205.1 and actually sold by a municipality.

(b) Except with the approval of the Federal Reserve Board, the aggregate amount invested by any Federal Reserve Bank in warrants of all kinds shall not exceed at the time of purchase a sum equal to 10 per cent of the deposits kept by its member banks with such Federal Reserve Bank.

(c) Except with the approval of the Federal Reserve Board, the maximum amount which may be invested at the time of purchase by any Federal Reserve Bank in warrants of any single municipality shall be limited to the following percentages of the deposits kept in such Federal Reserve Bank by its member banks:

- (1) Five per cent of such deposits in warrants of a municipality of 50,000 population or over;
- (2) Three per cent of such deposits in warrants of a municipality of over 30,000 population, but less than 50,000;
- (3) One per cent of such deposits in warrants of a municipality of over 10,000 population, but less than 30,000.

(d) Any Federal Reserve Bank may purchase from any of its member banks warrants of any municipality, indorsed by such member bank, with waiver of demand, notice, and protest if such warrants comply with §§205.3, 205.5(b) except that where a period of 10 years is mentioned in §205.3(c) a period of 5 years shall be substituted for the purposes of this clause.

SECTION 205.6—WARRANTS OF SMALL MUNICIPALITIES

Warrants of a municipality of 10,000 population or less shall be purchased only with the special approval of the Federal Reserve Board.

The population of a municipality shall be determined by the last Federal or State census. Where it cannot be exactly determined the Federal Reserve Board will make special rulings.

REGULATION E

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SECTION 205.7—OPINION OF COUNSEL

Opinion of recognized counsel on municipal issues or of the regularly appointed counsel of the municipality as to the legality of the issue shall be secured and approved in each case by counsel for the Federal Reserve Bank.

SUPPLEMENT TO REGULATION Q

SECTION 217.6

Maximum Rates of Interest Payable on Time and Savings Deposits by Member Banks

ISSUED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Effective January 1, 1957

Pursuant to the provisions of section 19 of the Federal Reserve Act and § 217.3, the Board of Governors of the Federal Reserve System hereby prescribes the following maximum rates¹ of interest payable by member banks of the Federal Reserve System on time and savings deposits:

(a) **Maximum rate of 3 per cent.**—No member bank shall pay interest accruing at a rate in excess of 3 per cent per annum, compounded quarterly,² regardless of the basis upon which such interest may be computed:

- (1) On any savings deposit,
- (2) On any time deposit having a maturity date six months or more after the date of deposit or payable upon written notice of six months or more,
- (3) On any Postal Savings deposit which constitutes a time deposit.

(b) **Maximum rate of 2½ per cent.**—No member bank shall pay interest accruing at a rate in excess of 2½ per cent per annum, compounded quarterly,² regardless of the basis upon which such interest may be computed:

- (1) On any time deposit (except Postal Savings deposits which constitute time deposits) having a maturity date less than six months and not less than 90 days after the date of deposit or

¹ The maximum rates of interest payable by member banks of the Federal Reserve System on time and savings deposits as prescribed herein are not applicable to any deposit which is payable only at an office of a member bank located outside of the States of the United States and the District of Columbia.

² This limitation is not to be interpreted as preventing the compounding of interest at other than quarterly intervals, provided that the aggregate amount of such interest so compounded does not exceed the aggregate amount of interest at the rate above prescribed when compounded quarterly.

payable upon written notice of less than six months and not less than 90 days.

(c) **Maximum rate of 1 per cent.**—No member bank shall pay interest accruing at a rate in excess of 1 per cent per annum, compounded quarterly, ² regardless of the basis upon which such interest may be computed:

(1) On any time deposit (except Postal Savings deposits which constitute time deposits) having a maturity date less than 90 days after the date of deposit or payable upon written notice of less than 90 days.

² This limitation is not to be interpreted as preventing the compounding of interest at other than quarterly intervals, provided that the aggregate amount of such interest so compounded does not exceed the aggregate amount of interest at the rate above prescribed when compounded quarterly.

BOARD OF GOVERNORS
of the
FEDERAL RESERVE SYSTEM

PAYMENT OF INTEREST ON DEPOSITS



REGULATION Q
(12 CFR 217)

As amended effective October 1, 1959



INQUIRIES REGARDING THIS REGULATION

Any inquiry relating to this regulation should be addressed to the Federal Reserve Bank of the district in which the inquiry arises.

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REGULATION Q

(12 CFR 217)

As amended effective October 1, 1959

PAYMENT OF INTEREST ON DEPOSITS *

SECTION 217.0—SCOPE OF PART

(a) This regulation is issued under authority of provisions of section 19 of the Federal Reserve Act which, together with related provisions of law, are cited in the note [Appendix] preceding this section:

(b) This part relates to the payment of deposits and interest thereon by member banks of the Federal Reserve System and not to the computation and maintenance of the reserves which member banks are required to maintain against deposits. The rules concerning reserves of member banks are contained in Part 204 of this chapter.

(c) The provisions of this part do not apply to any deposit which is payable only at an office of a member bank located outside of the States of the United States and the District of Columbia.

SECTION 217.1—DEFINITIONS

(a) **Demand deposits.**—The term “any deposit which is payable on demand”, hereinafter referred to as a “demand deposit”, includes every deposit which is not a “time deposit” or “savings deposit”, as defined in this section.

(b) **Time deposits.**—The term “time deposits” means “time certificates of deposit” and “time deposits, open account”, as defined in this section.

(c) **Time certificates of deposit.**—The term “time certificate of deposit” means a deposit evidenced by a negotiable or nonnegotiable instrument which provides on its face that the amount of such deposit is payable to bearer or to any specified person or to his order:

(1) On a certain date, specified in the instrument, not less than 30 days after date of the deposit, or

(2) At the expiration of a certain specified time not less than 30 days after the date of the instrument, or

* The text corresponds to the Code of Federal Regulations, Title 12, Chapter II, Part 217; cited as 12 CFR 217.

(3) Upon notice in writing which is actually required to be given not less than 30 days before the date of repayment,¹ and

(4) In all cases only upon presentation and surrender of the instrument.

(d) **Time deposits, open account.**—The term “time deposit, open account” means a deposit, other than a “time certificate of deposit” or a “savings deposit”, with respect to which there is in force a written contract with the depositor that neither the whole nor any part of such deposit may be withdrawn, by check or otherwise, prior to the date of maturity, which shall be not less than 30 days after the date of the deposit,² or prior to the expiration of the period of notice which must be given by the depositor in writing not less than 30 days in advance of withdrawal.³

(e) **Savings deposits.**—The term “savings deposit” means a deposit, evidenced by a pass book, consisting of funds deposited to the credit of one or more individuals, or of a corporation, association or other organization operated primarily for religious, philanthropic, charitable, educational, fraternal or other similar purposes and not operated for profit;⁴ or in which the entire beneficial interest is held by one or more individuals or by such a corporation, association or other organization, and in respect to which deposit:

(1) The depositor is required, or may at any time be required, by the bank to give notice in writing of an intended withdrawal not less than 30 days before such withdrawal is made;

¹ A deposit with respect to which the bank merely reserves the right to require notice of not less than 30 days before any withdrawal is made is not a “time certificate of deposit” within the meaning of the above definition.

² Deposits, such as Christmas club accounts and vacation club accounts, which are made under written contracts providing that no withdrawal shall be made until a certain number of periodic deposits have been made during a period of not less than 3 months constitute “time deposits, open account” even though some of the deposits are made within 30 days from the end of such period.

³ A deposit with respect to which the bank merely reserves the right to require notice of not less than 30 days before any withdrawal is made is not a “time deposit, open account”, within the meaning of the above definition.

⁴ Deposits in joint accounts of two or more individuals may be classified as savings deposits if they meet the other requirements of the above definition but deposits of a partnership operated for profit may not be so classified. Deposits to the credit of an individual of funds in which any beneficial interest is held by a corporation, partnership, association or other organization operated for profit or not operated primarily for religious, philanthropic, charitable, educational, fraternal or other similar purposes may not be classified as savings deposits.

(2) Withdrawals are permitted in only two ways, either (i) upon presentation of the pass book, through payment to the person presenting the pass book, or (ii) without presentation of the pass book, through payment to the depositor himself but not to any other person whether or not acting for the depositor.⁵

The presentation by any officer, agent or employee of the bank of a pass book or a duplicate thereof retained by the bank or by any of its officers, agents or employees is not a presentation of the pass book within the meaning of this part except where the pass book is held by the bank as a part of an estate of which the bank is a trustee or other fiduciary, or where the pass book is held by the bank as security for a loan. If a pass book is retained by the bank, it may not be delivered to any person other than the depositor for the purpose of enabling such person to present the pass book in order to make a withdrawal, although the bank may deliver the pass book to a duly authorized agent of the depositor for transmittal to the depositor.

Every withdrawal made upon presentation of a pass book shall be entered in the pass book at the time of the withdrawal, and every other withdrawal shall be entered in the pass book as soon as practicable after the withdrawal is made.

The term "savings deposit" also means a deposit evidenced by a written receipt or agreement although not by a pass book, consisting of funds of the kind described above in this paragraph and in respect to which deposit the depositor is required, or may at any time be required, by the bank to give notice in writing of an intended withdrawal not less than 30 days before such withdrawal is made, and withdrawals are permitted only through payment to the depositor himself but not to any other person whether or not acting for the depositor.^{5a}

SECTION 217.2—DEMAND DEPOSITS

(a) **Interest prohibited.**—Except as provided in paragraph (b) of this section, no member bank of the Federal Reserve System shall, directly or indirectly, by any device whatsoever, pay any interest on any demand deposit.

Within this part, any payment to or for the account of any depositor

⁵ Presentation of a pass book may be made over the counter or through the mails; and payment may be made over the counter, through the mails or otherwise, subject to the limitations of this subparagraph as to the person to whom such payment may be made.

^{5a} Payment may be made to the depositor over the counter, through the mails or otherwise.

as compensation for the use of funds constituting a deposit shall be considered interest.

(b) **Exceptions.**—The prohibition stated in paragraph (a) of this section does not apply to:

(1) Payment of interest accruing before August 24, 1937, on any deposit made by a savings bank as defined in section 12B of the Federal Reserve Act, as amended (49 Stat. 706; 12 U.S.C., 264 (c) (7)), or by a mutual savings bank;

(2) Payment of interest accruing before August 24, 1937, on any deposit of public funds⁷ made by or on behalf of any State, county, school district, or other subdivision or municipality, or on 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 when such deposits are made in State banks;

(3) Payment of interest in accordance with the terms of any certificate of deposit or other contract which was lawfully entered into in good faith before June 16, 1933 (or, if the bank became a member of the Federal Reserve System thereafter, before the date upon which it became a member), which was in force on such date, and which may not legally be terminated or modified by such bank at its option or without liability; but no such certificate of deposit or other contract may be renewed or extended unless it be modified to eliminate any provision for the payment of interest on demand deposits, and every member bank shall take such action as may be necessary, as soon as possible consistently with its contractual obligations, to eliminate from any such certificate of deposit or other contract any provision for the payment of interest on demand deposits.

SECTION 217.3—MAXIMUM RATE OF INTEREST ON TIME AND SAVINGS DEPOSITS

(a) **Maximum rate prescribed from time to time.**—Except in accordance with the provisions of this part, no member bank shall pay interest on any time deposit or savings deposit in any manner, directly or indirectly, or by any method, practice, or device whatsoever. No member bank shall pay interest on any time deposit or savings deposit at a rate in excess of such applicable maximum rate as the Board of Governors of the Federal Reserve System shall prescribe from time to time; and any rate or rates which may be so prescribed

⁷ Deposits of moneys paid into State courts by private parties pending the outcome of litigation are not deposits of "public funds", within the meaning of the above provision.

by the Board will be set forth in supplements to this part, which will be issued in advance of the date upon which such rate or rates become effective.

(b) Modification of contracts to conform to regulation.—No certificate of deposit or other contract shall be renewed or extended unless it be modified to conform to the provisions of this part, and every member bank shall take such action as may be necessary, as soon as possible consistently with its contractual obligations, to bring all of its outstanding certificates of deposit or other contracts into conformity with the provisions of this part.

(c) Member banks limited to maximum rate for State banks.—The rate of interest paid by a member bank upon a time deposit or savings deposit shall not in any case exceed (1) the applicable maximum rate prescribed pursuant to the provisions of paragraph (a) of this section, or (2) the applicable 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.

(d) Grace periods in computing interest on savings deposits.—A member bank may pay interest on a savings deposit received during the first 10 calendar days of any calendar month at the applicable maximum rate prescribed pursuant to paragraph (a) of this section calculated from the first day of such calendar month until such deposit is withdrawn or ceases to constitute a savings deposit under the provisions of this part, whichever shall first occur; and a member bank may pay interest on a savings deposit withdrawn during its last 3 business days of any calendar month ending a regular quarterly or semiannual interest period at the applicable maximum rate prescribed pursuant to paragraph (a) of this section calculated to the end of such calendar month.

(e) Continuance of time deposit status.—A deposit which was a time deposit at the date of deposit continues to be such until maturity although it has become payable within 30 days, and interest at a rate not exceeding that prescribed pursuant to the provisions of paragraph (a) of this section may be paid until maturity upon such deposit. A time deposit or a savings deposit with respect to which notice of withdrawal has been given continues to be such until the expiration of the period of such notice, and interest may be paid upon such deposit until the expiration of the period of such notice at a rate not exceeding that prescribed pursuant to the provisions of paragraph

(a) of this section. Interest at a rate not exceeding that prescribed pursuant to the provisions of paragraph (a) of this section may be paid upon savings deposits with respect to which notice of intended withdrawal has not actually been required or given. No interest shall be paid by a member bank on any amount which, by the terms of any certificate or other contract or agreement or otherwise, the bank may be required to pay within 30 days from the date on which such amount is deposited in such bank.⁸

(f) **No interest after maturity or expiration of notice.**—After the date of maturity of any time deposit, such deposit is a demand deposit, and no interest may be paid on such deposit for any period subsequent to such date. After the expiration of the period of notice given with respect to the repayment of any time deposit or savings deposit, such deposit is a demand deposit and no interest may be paid on such deposit for any period subsequent to the expiration of such notice, except that, if the owner of such deposit advise the bank in writing that the deposit will not be withdrawn pursuant to such notice or that the deposit will thereafter again be subject to the contract or requirements applicable to such deposit, the deposit will again constitute a time deposit or savings deposit, as the case may be, after the date upon which such advice is received by the bank.

SECTION 217.4—PAYMENT OF TIME DEPOSITS BEFORE MATURITY

(a) **Time deposits payable on a specified date.**—No member bank shall pay any time deposit, which is payable on a specified date, before such specified date, except as provided in paragraph (d) of this section.

(b) **Time deposits payable after a specified period.**—No member bank shall pay any time deposit, which is payable at the expiration of a certain specified period, before such specified period has expired, except as provided in paragraph (d) of this section.

(c) **Time deposits payable after a specified notice.**—No member bank shall pay any time deposit, with respect to which notice is required to be given a certain specified period before any withdrawal is made, until such required notice has been given and the specified period thereafter has expired, except as provided in paragraph (d) of this section.

⁸ Deposits, such as Christmas club accounts and vacation club accounts, which are made under written contracts providing that no withdrawal shall be made until a certain number of periodic deposits have been made during a period of not less than 3 months constitute "time deposits, open account" even though some of the deposits are made within 30 days from the end of such period.

(d) **Payment in emergencies.**—In an emergency where it is necessary to prevent great hardship to the depositor, a member bank may pay before maturity a time deposit or the portion thereof necessary to meet such emergency: *Provided*, That before making such payment the depositor shall sign an application describing fully the circumstances constituting the emergency which is deemed to justify the payment of the deposit before maturity, which application shall be approved by an officer of the bank who shall certify that, to the best of his knowledge and belief, the statements in the application are true. Such application shall be retained in the bank's files and made available to the examiners authorized to examine the bank. Where a time deposit is paid before maturity the depositor shall forfeit accrued and unpaid interest for a period of not less than three months on the amount withdrawn if an amount equal to the amount withdrawn has been on deposit three months or longer, and shall forfeit all accrued and unpaid interest on the amount withdrawn if an amount equal to the amount withdrawn has been on deposit less than three months. When a portion of a time certificate of deposit is paid before maturity, the certificate shall be canceled and a new certificate shall be issued for the unpaid portion of the deposit with the same terms, rate, date and maturity as the original deposit.

(e) **Loans upon security of time deposits.**—A member bank may make a loan to the depositor upon the security of his time deposit provided that the rate of interest on such loan shall be not less than 2 per cent per annum in excess of the rate of interest on the time deposit.

SECTION 217.5—NOTICE OF WITHDRAWAL OF SAVINGS DEPOSITS

(a) **Requirements regarding notice.**—A member bank shall observe the requirements set forth below in requiring notice of intended withdrawal of any savings deposit, or in waiving such notice, or in repaying any savings deposit, or part thereof, without requiring such notice, whether such notice of intended withdrawal is required to be given in each case by the terms of the bank's contract with the depositor or may, under such contract, be required by the bank at any time at its option.

(1) If a member bank waive such notice of intended withdrawal as to any amount or percentage of the savings deposits of any depositor, it shall waive such notice as to the same amount or percentage of the savings deposits of every other depositor which are subject to the same requirement.

(2) If a member bank pay any amount or percentage of the savings deposits of any depositor, without requiring such notice, it shall, upon request and without requiring such notice, pay the same amount or percentage of the savings deposits of every other depositor which are subject to the same requirement.

(3) If a member bank require such notice before the payment of any amount or percentage of the savings deposits of any depositor, it shall require such notice before the payment of the same amount or percentage of the savings deposits of any other depositor which are subject to the same requirement.

A member bank is not prevented from paying during the next succeeding interest period, without requiring notice of withdrawal, interest on a savings deposit which has accrued during the preceding interest period: *Provided*, That it shall, upon request and without requiring such notice, pay in the same manner interest which has accrued during the preceding interest period on the savings deposits of every other depositor.

(b) **Requirements regarding change of practice.**—No member bank shall change its practice with respect to the requiring or waiving of notice of intended withdrawal of savings deposits except after duly recorded action of its board of directors or of its executive committee properly authorized, and no practice in this respect shall be adopted which does not conform to the requirements of paragraph (a)(1), (2), or (3) of this section.

(c) **Change of practice for purpose of discrimination.**—No change in the practice of a member bank with respect to the requiring or waiving of notice of intended withdrawal of savings deposits shall be made for the purpose of discriminating in favor of or against any particular depositor or depositors.

(d) **Requirements applicable although no interest paid.**—A member bank shall observe the requirements of this section with respect to savings deposits even though no interest be paid on such deposits.

(e) **Loans upon security of savings deposits.**—If it is not the practice of a member bank to require notice of intended withdrawal of savings deposits, no restrictions are imposed by this part upon loans by such bank to its depositors upon the security of such deposits. If it is the practice of a member bank to require notice of intended withdrawal of savings deposits or any amount or percentage thereof,

such bank may make loans to its depositors upon the security of such deposits and, in each such case, the rate of interest on such loan shall be not less than 2 per cent per annum in excess of the rate of interest on the savings deposit.

(Section 217.6 Maximum rates of interest payable on time and savings deposits by member banks, is printed separately.)

APPENDIX

STATUTORY PROVISIONS

Section 19 of the Federal Reserve Act (12 U.S.C., sec. 461), provides in part as follows:

Sec. 19. The Board of Governors of the Federal Reserve System is authorized, for the purposes of this section, to define the terms "demand deposits", "gross demand deposits", "deposits payable on demand", "time deposits", "savings deposits", and "trust funds", to determine what shall be deemed to be a payment of interest, and to prescribe such rules and regulations as it may deem necessary to effectuate the purposes of this section and prevent evasions thereof: * * *

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(12 U.S.C., sec. 371a)

No member bank shall, directly or indirectly, by any device whatsoever, pay any interest on any deposit which is payable on demand: *Provided*, That nothing herein contained shall be construed as prohibiting the payment of interest in accordance with the terms of any certificate of deposit or other contract entered into in good faith which is in force on the date on which the bank becomes subject to the provisions of this paragraph; but no such certificate of deposit or other contract shall be renewed or extended unless it shall be modified to conform to this paragraph, and every member bank shall take such action as may be necessary to conform to this paragraph as soon as possible consistently with its contractual obligations: *Provided further*, That this paragraph shall not apply to any deposit of such bank which is payable only at an office thereof located outside of the States of the United States and the District of Columbia: *Provided further*, That until the expiration of two years after the date of enactment of the Banking Act of 1935 this paragraph shall not apply (1) to any deposit made by a savings bank as defined in section 12B of this Act, as amended, or by a mutual savings bank, or (2) to any deposit of public funds made by or on behalf of any State, county, school district, or other subdivision 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. So much of existing law as requires the payment of interest with respect to any funds

deposited by the United States, by any Territory, District, or possession thereof (including the Philippine Islands), or by any public instrumentality, agency, or officer of the foregoing, as is inconsistent with the provisions of this section as amended, is hereby repealed.

(12 U.S.C., sec. 371b)

The Board of Governors of the Federal Reserve System shall from time to time limit by regulation the rate of interest which may be paid by member banks on time and savings deposits, and shall prescribe different rates for such payment on time and savings deposits having different maturities, or subject to different conditions respecting withdrawal or repayment, or subject to different conditions by reason of different locations, or according to the varying discount rates of member banks in the several Federal Reserve districts. No member bank shall pay any time deposit before its maturity except upon such conditions and in accordance with such rules and regulations as may be prescribed by the said Board, or waive any requirement of notice before payment of any savings deposit except as to all savings deposits having the same requirement: *Provided*, That the provisions of this paragraph shall not apply to any deposit which is payable only at an office of a member bank located outside of the States of the United States and the District of Columbia.

Section 24 of the Federal Reserve Act (12 U.S.C., sec. 371), provides with respect to national banking associations in part as follows:

Any such 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.