

Fifth draft.

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REGULATION No. 7-a. FEDERAL RESERVE BOARD

Washington, D. C., _____

Section 19 of the Federal Reserve Act provides in part as follows:

"Demand deposits within the meaning of this act shall comprise all deposits payable within 30 days, and time deposits shall comprise all deposits payable after 30 days, and all savings accounts and certificates of deposit which are subject to not less than 30 days' notice before payment.

It is not the purpose of the Board to countenance or permit the reduction of reserves to 5% on deposits that it construes to be demand deposits within the meaning of Section 19 of the Federal Reserve Act, upon any theory that such deposits become time deposits by virtue of a blanket provision in the by-laws of a bank stipulating that in time of emergency 30 days notice of withdrawal may be required as to deposits which are ordinarily subject to check without restriction.

The Board therefore deems it advisable to amplify Regulation No. 7, and to define in greater detail

- 1: Time deposits, open accounts,
- 2: Savings Accounts,
- 3: Certificates of Deposit,

1. TIME DEPOSITS, OPEN ACCOUNTS.

Under this head are included all accounts not evidenced by certificates of deposit or savings passbooks which may under agreement be checked upon or withdrawn only upon written notice given by the depositor a certain specified number of days in advance, in no case less than 30 days, such an agreement to be in the form of a written contract entered into with the depositor at the time the deposit is made. Where it is provided that a deposit may be withdrawn by check

within 30 days, such deposit will be held to be a demand deposit irrespective of the fact that the bank has the right by written contract or otherwise to require a withdrawal notice of more than 30 days. In other words, no deposit shall be deemed a time deposit unless it be withdrawable only at a date or period more than 30 days subsequent to the date as of which the reserve is to be calculated.

2. SAVINGS ACCOUNTS.

Savings accounts are held to include all interest bearing accounts carried under written contracts, which contracts may appear on the face or back of signature cards signed by the depositor, or may be printed in the passbook issued to the depositor, under terms of which contract the depositor is required to present his passbook with each check drawn, and such contracts to contain a clause subjecting the account to at least 30 days notice, at the option of the bank, before withdrawal. No account shall be deemed a savings account if the presentation of the passbook is not required at the time of the payment of a check or withdrawal of the deposit.

3. TIME CERTIFICATES OF DEPOSIT.

Time certificates of deposit are defined as instruments evidencing a deposit with a bank of a certain specified amount repayable to the payee named in the face of the instrument, either with or without interest, on a certain specified date or after the lapse of a certain specified time after date of the instrument (such time or date being not less than 30 days after the date as of which the reserve is calculated). No deposit which is subject to check or which may be repaid in whole or in part without the surrender of the certificate properly endorsed shall be deemed to be a certificate of deposit.