

C O P Y.

L-7471

June 20, 1933.

Johns - Atlanta

Section 19, Federal Reserve Act, as amended by Section 11(b) Banking Act, 1933, does not authorize Federal Reserve Board to grant member banks permission to pay interest on demand deposits. Proviso regarding payment of interest QUOTE in accordance with terms of any certificate of deposit or other contract heretofore entered into in good faith UNQUOTE which was in force on June 16, 1933, does not authorize payment of interest until end of customary interest period unless there was a definite contract to that effect. Member banks are forbidden to renew or extend any such contract without eliminating provision for payment of interest and they are required to take such action as may be necessary to eliminate payment of interest on demand deposits as soon as possible consistently with their contractual obligations.

MORRILL