

## (INTERPRETATION OF BANKING ACT OF 1933)

Copies to be sent to all Federal Reserve Banks.

August 8, 1933.

Messrs. \_\_\_\_\_,  
\_\_\_\_\_ Street,  
New York City, New York.

Gentlemen:

Reference is made to your letter of July 14, 1933, with inclosures, with respect to the question whether the Philippine Islands and Puerto Rico may be regarded as foreign countries within the meaning of section 19 of the Federal Reserve Act, as amended by section 11(b) of the Banking Act of 1933, which forbids a member bank to pay interest on any deposit payable on demand, with certain exceptions including "any deposit of such bank which is payable only at an office thereof located in a foreign country". You also state that you would like to be advised of any ruling that the Board may make with respect to the status of the Canal Zone in this connection.

The Federal Reserve Board has given this matter careful consideration and, in view of the decisions of the courts with reference to the status of the territories in question, is of the opinion that none of them may properly be regarded as a foreign country within the meaning of the statute referred to and, accordingly, the prohibition of section 19 of the Federal Reserve Act upon the payment of interest by a member bank on deposits payable on demand, with the exceptions therein stated, applies to deposits payable at an office of such bank located in Puerto Rico, the Philippine Islands or the Canal Zone.

Very truly yours,

Chester Morrill,  
Secretary.