

FEDERAL RESERVE BOARD

173

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7558

August 22, 1933.

SUBJECT: Questions relating to requirements of
State laws regarding payment of interest
on public funds.

Dear Sir:

The provision of Section 19 of the Federal Reserve Act, as amended by the Banking Act of 1933, which forbids a member bank to pay interest on any deposit payable on demand excepts "any deposit of public funds made by or on behalf of any State, county, school district, or other subdivision or municipality, with respect to which payment of interest is required under State law". The Federal Reserve Board has been requested to rule upon questions as to whether the payment of interest is required on such public funds under the provisions of particular State statutes.

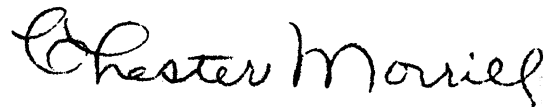
In view of the numerous and varying provisions of the laws of the States on this subject, the Board feels that, when a question as to whether a particular State law requires the payment of interest on public funds is presented to a Federal reserve bank, it is advisable that it be considered by counsel for the Federal reserve bank and his opinion should be followed in the matter, unless there appears to be doubt as to the proper interpretation to be placed upon the law and it is considered advisable to present the matter to the Federal Reserve Board.

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In any case in which a question of this kind is submitted to the Federal Reserve Board, it is requested that there be furnished to the Board copies of all pertinent provisions of the State law, a copy of an opinion of counsel for the Federal reserve bank discussing all aspects of the question fully and in detail, and a copy of an opinion on the question rendered by the State Attorney General or other State official having similar authority, together with any other information which may be relevant.

It will also be appreciated if you will furnish the Board, merely for its information, with a copy of any opinion which may be rendered by counsel for the Federal reserve bank on a question of this kind, even though it is not considered necessary to present the matter to the Federal Reserve Board for a ruling.

Very truly yours,



Chester Morrill,
Secretary.

TO CHAIRMEN OF ALL FEDERAL RESERVE BANKS.