

INTERPRETATION OF BANKING ACT OF 1933.

(Copies to be sent to all Federal reserve banks.)

September 26, 1933.

Mr. C. A. Worthington, Deputy Governor,
Federal Reserve Bank of Kansas City,
Kansas City, Missouri.

Dear Mr. Worthington:

Reference is made to your letter of September 11, 1933, in which you call attention to the fact that the savings pass books of many member banks contain a provision to the effect that deposits made on or before the fifth day of any month will draw interest from the first of such month; and you inquire whether deposits made during the first five business days of a month would be entitled to interest, in accordance with such a provision in a savings pass book, from the first day of such month at the maximum rate prescribed in the Board's Regulation Q.

As you know, the Regulation provides in Section V (c) that

- "(1) No member bank shall pay interest, accruing after October 31, 1933, on any savings deposit or any part thereof at a rate in excess of 3 per cent per annum, compounded semiannually, regardless of the basis upon which such interest may be computed, except as provided in paragraph 2 hereof."

If the amount of interest paid by a member bank upon any deposit exceeds three per cent per annum, compounded semi-annually, for the period during which the deposit is actually in the bank, whether by reason of inclusion in the interest period of days prior to the date on which the deposit was made or days after it was withdrawn, the payment is at a rate in excess of that prescribed by the Regulation and

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in violation thereof. Of course, interest may be paid on a deposit at a rate not exceeding the maximum prescribed in the Regulation for the period from the date on which the deposit was actually received by the bank until actually withdrawn.

The maximum rate of interest on savings deposits prescribed in the Regulation, as you know, is applicable only to interest accruing after October 31, 1933.

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,
Assistant Secretary.