

INTERPRETATION OF BANKING ACT OF 1933.

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

September 26, 1933.

Mr. _____, President,

_____ Bank,
_____.

Dear Sir:

Reference is made to your letter of September 21, 1933, in which you inquire whether, under the provisions of the Federal Reserve Board's Regulation Q, interest at the maximum rate prescribed in the Regulation may be paid from the first day of a month on a savings deposit received by a member bank at any time during the first few days of such month.

It is provided in Section V(c) of Regulation Q 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reason of inclusion in the interest period of days prior to the date on which the deposit was made or days after it was withdrawn, the payment is at a rate in excess of that prescribed by the Regulation and in violation thereof. However, interest at a rate less than the maximum prescribed in the Regulation may be paid from the first day of the month on

- 2 -

a savings deposit which is actually received thereafter, provided that the amount of interest paid does not exceed three per cent per annum, compounded semi-annually, for the period from the date on which the deposit was actually received by the bank until actually withdrawn.

As you have probably noted, the maximum rate of interest on savings deposits prescribed in the Regulation is applicable only to interest accruing after October 31, 1933.

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,
Assistant Secretary.