

INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal Reserve Banks)

December 7, 1933.

Mr. _____,
_____,
_____.

Dear Sir:

Reference is made to your letters of October 13 and October 18, 1933, in which you inquire whether a national bank may adopt a form of certificate of deposit which will mature at the end of six or twelve months and which will give the holder the right to reduce the term of the certificate to an earlier maturity upon giving 30 days' notice, in which event the certificate would be paid on such earlier date but without interest.

The Board does not look with favor upon the use of certificates of deposit of this character. However, since it appears that, under the terms of the certificate itself the deposit cannot be withdrawn until after thirty days from the date of the deposit, the Board is of the opinion that it must be regarded as a time certificate of deposit within the meaning of Section 19 of the Federal Reserve Act and within the meaning of Regulation Q. While it may be withdrawn at any time upon the expiration of thirty days' written notice actually given by the depositor, it would appear that, if such notice is not given, the deposit could not be withdrawn except upon the expiration of six months from the date of the certificate or upon the expiration of twelve months

Mr. _____

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from the date of the certificate; so that it must be regarded either as a deposit payable only after thirty days' written notice or as a deposit payable at the expiration of a certain specified time, which is not less than thirty days subsequent to the date of the certificate.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.