

INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal Reserve Banks.)

X-7777

February 5, 1934

Mr. _____, Vice President,
The _____ National Bank,
_____, _____.

Dear Sir:

Your letter of October 6, 1933, addressed to Mr. _____
_____, Chief National Bank Examiner of the _____
Federal Reserve District, regarding the computation of reserves on
savings accounts, has been referred to the Federal Reserve Board for
reply. I regret that the pressure of other matters of urgent im-
portance arising under the Banking Act of 1933 has prevented an
earlier reply to your letter.

You request to be advised whether, in the event you
should require notice to be given with respect to all savings ac-
counts, a deposit with respect to which notice has been so required
and given must be regarded as a demand deposit for the purpose of
computing reserves thereon. In such circumstances, it is the view
of the Board that a deposit with respect to which notice has been
required and given must be classified as a demand deposit for the
purpose of computing reserves beginning thirty days prior to the
date when such deposit, under the terms of the notice, shall be pay-
able.

You also request to be advised whether, if you decide to allow monthly withdrawals from savings deposits of sums up to \$100 without requiring notice of such withdrawals, you would be required to treat each account up to \$100 as a demand deposit for the purpose of computing reserves.

Although notice of withdrawal may not actually be required with respect to the sums in question, the bank still has the legal right to require such notice if it so desires, subject to the provisions of Section VI of Regulation Q. Therefore, if an account of the kind in question constitutes a savings account within the meaning of Regulation D, the entire amount thereof remains a savings account notwithstanding that the bank may permit the withdrawal of limited amounts from other similar accounts without requiring notice; and, accordingly, such deposits require a reserve of three per cent only. As stated, however, if notice of withdrawal is required and given, the amount which may be withdrawn pursuant to such notice must be classified as a demand deposit for reserve purposes from the time when, as the result of the giving of such notice, it is payable within thirty days.

It should be noted, however, that interest may be paid on deposits which conform to the definition of savings deposits contained in Regulation Q, in accordance with subsections (d) and (e)

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of Section V of that regulation, whether or not notice of withdrawal has actually been required or given with respect to such deposits.

For your information, copies of Regulations D and Q are inclosed herewith.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

Inclosure