

INTERPRETATION OF BANKING ACT OF 1933.

(Copies to be sent to all Federal reserve banks)

February 5, 1934.

Mr. _____,
_____,
_____,
_____.

Dear Sir:

This refers to your letter of December 4, 1933, addressed to Governor Black of the Federal Reserve Board, requesting to be advised whether a bank may issue a certificate of deposit which conforms to the definition of a "time certificate of deposit" as contained in the Board's Regulation Q, but which also includes a clause to the effect that "this bank reserves the right to require thirty days' written notice before payment", so that such certificate may be regarded as a time certificate of deposit for the purpose of computing reserves under Regulation D.

A deposit represented by a certificate which is payable at the expiration of a specified period not less than thirty days from the date of the certificate and which otherwise conforms to the definition of a time certificate of deposit contained in Regulation Q, but which also contains a reservation to the bank of the right to require thirty days' written notice before payment, may properly be classified as a time deposit within the meaning of Regulation Q relating to interest on deposits until the date of maturity specified in the certificate, and also within the meaning of

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Regulation D relating to reserve requirements until the certificate is actually paid; except that in a case in which, in accordance with the provisions of the certificate, notice is given that payment will be required at or after the date of maturity specified therein, it must be classified as a demand deposit for the purpose of computing reserves beginning 30 days prior to the date on which the certificate is payable under the terms of such notice. After maturity the certificate is one with respect to which the bank merely reserves the right to require thirty days' written notice before payment and, as stated in footnote 4 of Regulation Q, while such a certificate may be classified as a time deposit for computing reserves, interest may not be paid thereon for the reasons there stated. Accordingly, if a deposit represented by such a certificate is not paid at the maturity specified therein, no interest accruing thereafter may lawfully be paid on such deposit but it may nevertheless be classified as a time deposit for the purpose of computing reserves until written notice is required and given, or, if notice is not required, until actually paid.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.