

X-7799

INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal reserve banks)

February 19, 1934.

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Dear Sir:

I regret that the pressure of other matters of urgent importance arising under the Banking Act of 1933 has prevented the Board from making an earlier reply to your letters of December 5, and December 23, 1933, regarding the withdrawal of savings deposits.

You request to be advised whether the Federal Reserve Board's Regulation Q makes it mandatory for the board of directors of each member bank to pass a regulation stating what portion or percentage of savings deposits may be withdrawn without the giving of notice. As you know, Section VI (c) of that regulation provides that no member bank shall change its practice with respect to the requiring or waiving of notice of intended withdrawal of savings deposits "except after duly recorded action of its board of directors or of its executive committee properly authorized." Accordingly, it is not required that the board of directors or executive committee take such action unless the bank shall change its practice in this regard. However, even where there is no such change in practice, there is no objection to such action on the part of the board of directors or executive committee formally prescribing the practice to be followed and in some cases this may be desirable in order to eliminate any

uncertainty in the matter.

You are apparently under the impression that a member bank may not pay the entire amount of any savings deposit without requiring notice of withdrawal. As you know, however, under the provisions of Section VI of Regulation Q, a member bank may pay any portion or percentage of the savings deposits of any depositor without requiring such notice if, upon request and without requiring such notice, it shall pay the same portion or percentage of the savings deposits of every other depositor which are subject to the same requirement; and it is permissible under this section of the regulation for a member bank to pay the entire amount of any savings deposit provided that it complies with the condition mentioned and also with the other applicable conditions of Section VI of the regulation.

You further request to be advised whether a member bank may allow the withdrawal of the sum of \$100 in any one month on any savings account consisting of less than \$1,000, without requiring notice of such withdrawal, and allow the withdrawal of 10% in any one month of any savings account consisting of more than \$1,000 without requiring notice. Section 19 of the Federal Reserve Act provides in part that no member bank shall waive any requirement of notice before payment of any savings deposit except as to all savings deposits having the same requirement and it is assumed that all the deposits in question are deposits "having the same requirement" within the meaning of the law. In accordance with this provision of the statute,

the Board has provided in its Regulation Q that "if a member bank pay any portion or percentage of the savings deposit of any depositor, without requiring such notice, it shall, upon request and without requiring such notice, pay the same portion or percentage of the savings deposits of every other depositor which are subject to the same requirement". The Federal Reserve Board has construed the word portion in this provision of its regulation as including a specified amount. Under the plan concerning which you inquire, however, a member bank would permit the withdrawal without notice of a certain specified amount of some savings accounts and a certain percentage from other savings accounts. Such a plan does not permit the withdrawal from all deposits without notice either of the same amount or of the same percentage. While under the Board's regulation the withdrawal without notice either of a certain percentage of all savings deposits or of a certain specified amount of all such deposits is permissible, a plan under which there may be withdrawn without notice a percentage of some deposits and a specified amount from others does not comply with the requirement of the regulation.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.