

## INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal reserve banks)

April 3, 1934.

Mr. Richard L. Austin,  
Chairman of the Board,  
Federal Reserve Bank of Philadelphia,  
Philadelphia, Pennsylvania.

Dear Mr. Austin:

This refers to your letter of March 12, 1934, inclosing a copy of a letter from the \_\_\_\_\_ National Bank of \_\_\_\_\_, \_\_\_\_\_, dated March 7, 1934, in regard to the issuance by the Federal Reserve Board of a special regulation relating to the payment before maturity of Christmas Club accounts.

If the Christmas Club accounts here in question constitute time deposits as defined by the Federal Reserve Board Regulation Q, such deposits may not lawfully be paid before maturity even though no interest is paid thereon. If, on the other hand, such accounts constitute savings deposits, as defined in the Regulation, such deposits may be paid only in accordance with the provisions of Section VI of the Regulation. The Federal Reserve Board is not authorized to issue a Regulation authorizing the payment of such accounts, which are time or savings deposits, except in accordance with the provisions of the law.

With reference to the suggestion made by the member bank in its letter that a ruling be issued allowing the making of loans in necessitous cases on Christmas Club accounts, attention is called to the provisions of footnote 7 and footnote 10 of the Regulation Q, relating to loans by member banks to the owners of time and savings de-

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posits. The Board believes that the provisions of the footnotes mentioned are in accordance with the intention of the statute and it would not be possible for the Board to make exceptions to the requirements prescribed as suggested with respect to Christmas Club accounts.

Very truly yours,

(Signed) Chester Morrill  
Chester Morrill,  
Secretary.