

INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal reserve banks)

June 4, 1934.

_____,
_____,
_____.

Dear Sir:

Receipt is acknowledged of your letter of May 17, 1934 regarding the right of your bank under the Federal Reserve Board's Regulation Q to allow the transfer of a savings account from one depositor to another.

You state that in accordance with Section VI of Regulation Q, your bank requires thirty days' notice of intended withdrawal from savings accounts, except that any depositor may withdraw \$100 during any calendar month without such notice. You request to be advised whether, in view of this requirement, you may lawfully permit a savings depositor whose account is in excess of the \$100 limit to divest herself of title to such account by a transfer thereof to a savings account in the name of another depositor, provided that the new account shall immediately be subject to the above mentioned rule of the bank with respect to withdrawals from savings accounts.

Section 19 of the Federal Reserve Act provides 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. Pursuant to this provision of the statute, the Federal

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Reserve Board has prescribed in Section VI (a) of its Regulation Q that if a member bank requires notice before the payment of any portion or percentage of the savings deposits of any depositor, it shall require such notice before the payment of the same portion or percentage of the savings deposits of any other depositor which are subject to the same requirement. Since your bank requires thirty days' notice before the withdrawal of amounts in excess of \$100 during any calendar month, it may not lawfully allow the withdrawal of the funds here in question without requiring such notice, unless it should change its practice in this regard in accordance with the provisions of Section VI of Regulation Q. It appears that the transaction described in your letter would in effect make available to the savings depositor the entire amount of the funds contained in his account without requiring notice of withdrawal, thus discharging the obligation of the bank to the depositor, and that a new account in the same amount would then be opened by another depositor. It is the opinion of the Board that such a transaction would constitute a payment of the savings deposits in question and, accordingly, that the transaction is not permissible in view of the present practice of your bank to require notice of thirty days before payment of other savings deposits of similar amounts.

You state in your letter that the two banks in _____, _____, "have agreed to require 30 days' notice of intended withdrawal from savings accounts except that any depositor may withdraw \$100 during any calendar month without such notice." One of the require-

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ments of a savings deposit set forth in Regulation Q is that the depositor must be required, or may at any time be required, by the bank to give notice in writing of an intended withdrawal not less than thirty days before a withdrawal is made. It is not clear from the information submitted whether each bank in _____ has reserved the legal right to require notice in writing of not less than thirty days before withdrawals of amounts of \$100 or less; and if the contract between the depositor and the bank does not reserve to the bank the legal right to require the requisite notice of withdrawal of amounts of \$100 or less, or if such bank may not change its practice in this respect without the consent of the other bank concerned so as to require the requisite notice of withdrawal, the amount which is not subject to such notice may not be treated as a savings deposit within the meaning of Regulation Q upon which interest may lawfully be paid. On the other hand, if the bank at its option may legally require notice in writing of not less than thirty days before the withdrawal of any part of a savings deposit, regardless of the amount to be withdrawn, without contravening any provision of its contract with its depositor or its agreement with other banks, the entire amount of such deposit may properly be classified as a savings deposit if it otherwise complies with the definition in Regulation Q. If there is any question as to the right of your bank in this respect, it is suggested that consideration be given to the advisability of revising the contracts with depositors and agreements with other banks so as to make clear the bank's legal right at its option to require

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notice in writing of not less than thirty days before the withdrawal of any amount whatever of a savings deposit, in order that the entire amount of such deposit may properly be classified as a savings deposit upon which interest may lawfully be paid.

In this connection it appears that your bank requires thirty days' notice of intended withdrawals from savings accounts (with the exception above discussed) but you do not indicate that notice in writing is required. Your attention is invited to the requirement with respect to savings deposits contained in Regulation Q that the depositor may at any time be required by the bank to give notice in writing of not less than thirty days before a withdrawal is made.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.