

FEDERAL RESERVE BOARD

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WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD


X-9108

January 29, 1935.

Dear Sir:

There is attached, for your information, a copy of a letter addressed to Mr. A. M. McAdams, Assistant Federal Reserve Agent at the Federal Reserve Bank of Kansas City, with regard to the question whether member banks may continue to pay interest at the rate of 3% per annum to maturity on certificates of deposit and other time deposit contracts entered into in good faith prior to December 13, 1934, and maturing after January 31, 1935.

Very truly yours,


S. R. Carpenter,
Assistant Secretary.

Inclosure.

TO ALL FEDERAL RESERVE AGENTS.

COPY

X-9108-a

January 29, 1935.

Mr. A. M. McAdams,
Assistant Federal Reserve Agent,
Federal Reserve Bank of Kansas City,
Kansas City, Missouri.

Dear Mr. McAdams:

This refers to your letter dated January 17, 1935, in which you request an opinion on the question whether, under the recent amendment to the Board's Regulation Q reducing the rate of interest payable by member banks on time deposits from 3 per cent per annum to $2\frac{1}{2}$ per cent per annum, member banks of the Federal Reserve System may continue to pay interest at the rate of 3 per cent per annum to maturity on certificates of deposit and other time deposit contracts entered into in good faith prior to December 18, 1934, and maturing after January 31, 1935.

It is understood that you desire to be advised concerning the payment of interest upon such certificates of deposit and other time deposit contracts which contain the printed or stamped clause "the rate of interest payable hereunder is subject to change by the bank to such extent as may be necessary to comply with requirements of the Federal Reserve Board made from time to time pursuant to the Federal Reserve Act", and as to certificates of deposit and other time deposit contracts which do not contain such a qualifying clause.

Under Regulation Q, Series of 1935, if a certificate

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Mr. A. M. McAdams - 2

of deposit or other time deposit contract was entered into in good faith prior to December 18, 1934, was in force on that date, and otherwise obligated the member bank to pay interest thereon at the rate of 3 per cent per annum until maturity, the fact that the above notation or a similar notation appeared on the certificate of deposit or other time deposit contract, would not require a reduction in the rate of interest paid thereon after January 31, 1935. Interest accruing on such a certificate of deposit or other time deposit contract between January 31, 1935 and its maturity may be paid at the original rate of 3 per cent per annum, and need not be reduced to the rate of $2\frac{1}{2}$ per cent per annum, whether or not the clause mentioned above appears thereon.

You will understand, however, that such certificates of deposit or other time deposit contracts may not be renewed or extended at a rate of interest in excess of $2\frac{1}{2}$ per cent per annum.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.