

## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-9114

February 6, 1935.

Dear Sir:

There is attached, for your information, a copy of a telegram addressed by the Federal Reserve Board to Mr. J. B. Anderson, Assistant Federal Reserve Agent at the Federal Reserve Bank of Cleveland, with regard to the payment of interest on certificates of deposit of indefinite maturity and on savings accounts.

Very truly yours,

A handwritten signature in dark ink, appearing to read "S. R. Carpenter". The signature is fluid and cursive, with a large, sweeping "S" at the beginning and a long, horizontal stroke extending to the right.

S. R. Carpenter,  
Assistant Secretary.

Inclosure.

TO ALL FEDERAL RESERVE AGENTS.

COPY  
TELEGRAM  
FEDERAL RESERVE BOARD  
WASHINGTON

X-9114-a

February 2, 1935

ANDERSON \*  
CLEVELAND

Your wire January 31 re effect of X-9108-a upon certificates of deposit of indefinite maturity. It is assumed that you refer to certificates payable upon notice in writing required to be given not less than 30 days before date of repayment. Regulation Q as amended provides that a member bank may pay interest on time deposits in accordance with the terms of a certificate lawfully entered into in good faith prior to December 18, 1934, and in force on that date and which may not legally be terminated or modified by such bank at its option or without liability and the bank is required to take such action as may be necessary as soon as possible consistently with its contractual obligations to bring all such certificates into conformity with the regulation. It appears to the Board that a member bank may lawfully terminate the contract contained in a certificate of the kind above described by giving reasonable notice of its intention to do so to the holder of the certificate. Each member bank received notice on or about December 18, 1934, of the reduction in interest rate to become effective February 1, 1935, and it became the duty of such bank upon receiving such notice to terminate or to modify such certificates of deposit so as to bring them into conformity with the provisions of the

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X-9114-a

regulation on February 1 if legally possible under the contract. Referring your wire February 1 re savings accounts, Regulation Q contains provisions applicable to savings deposits similar to those above described relating to time deposits. It is understood that most banks under their contracts with savings depositors have the legal right to terminate or modify such contracts upon the giving of reasonable notice or notice of a specified period, usually 30 days. In the circumstances it became the duty of member banks upon being advised of the amendment to the Board's Regulation Q to terminate or to modify its savings deposit contracts so as to bring them into conformity with the provisions of the regulation on February 1 if legally possible under the contracts.

(Signed) Chester Morrill

MORRILL