

INTERPRETATION

X-9424

BANKING ACT OF 1935

(Copies to be sent to all Federal Reserve banks)

January 10, 1936.

Mr. F. G. Awalt,  
Deputy Comptroller of the Currency,  
Washington, D. C.

Dear Mr. Awalt:

This refers to your letter of December 18, 1935, inclosing a list of questions relating to the revision of Regulation Q, effective January 1, 1936. The Board understands that this list of questions was submitted to you by Mr. \_\_\_\_\_, Vice President of the \_\_\_\_\_ National Bank, \_\_\_\_\_, and, in accordance with the suggestion which you made over the telephone to a member of the Board's staff, a copy of this letter has been sent to Mr. \_\_\_\_\_.

You ask whether accounts in the following names may be continued as savings deposits: "Richard Roe by John Doe"; "John Doe and Richard Doe"; "John Doe, Trustee"; "John Doe, Attorney"; "John Doe, Executor or Administrator of Richard Roe's Estate"; "John Doe, Trustee, Equity Cause No. \_\_\_\_"; "John Doe, Committee for \_\_\_\_\_ (Insane)"; "\_\_\_\_\_, Trustee"; "\_\_\_\_\_, Executor"; "\_\_\_\_\_, Receiver"; "\_\_\_\_\_, Guardian"; "\_\_\_\_\_, Administrator"; and "\_\_\_\_\_, Agent."

Assuming that such deposits comply with all of the other requirements of the definition of savings deposits contained in section 1(e) of the revised Regulation Q, such deposits would be savings deposits if the beneficial interest therein were held by one or more

individuals or by a corporation, association or other organization operated primarily for religious, philanthropic, charitable, educational, fraternal or other similar purposes and not operated for profit. It is the duty of a member bank to ascertain the facts with regard to the beneficiaries of such accounts and to classify as savings deposits only the accounts in which the beneficial interest is held by one or more individuals or by an organization of the type described above.

You present the question whether deposits of the following organizations may be classified as savings deposits: building and loan associations; mutual fire and life insurance companies; Federal credit unions; and national trade associations, such as the United States Chamber of Commerce and National Lime Association. In the opinion of the Board, deposits of such organizations may not be considered as savings deposits within the meaning of the definition contained in section 1(e) of Regulation Q. It is the view of the Board that such organizations are not operated primarily for religious, philanthropic, charitable, educational, fraternal or other similar purposes, and, therefore, deposits maintained by them may not be classified as savings deposits.

You also ask whether deposits of social clubs may be classified as savings deposits. The term "social clubs" is so general that it is impossible to make a ruling applicable to all such clubs. However, it is believed that small social clubs such as college fraternities and sororities may be considered as organizations operated

primarily for fraternal purposes and not operated for profit and, accordingly, deposits of such organizations may be classified as savings deposits if they meet the other requirements of the definition.

In the opinion of the Board, an account in the name of a parent as trustee or agent for a child may be classified as a savings deposit if it meets the other requirements contained in section 1(e) of Regulation Q.

You also ask whether deposits of "publications of non-profit organizations" may be classified as savings deposits. If such non-profit organizations are operated primarily for religious, philanthropic, charitable, educational, fraternal or other similar purposes, and, if the publications of such organizations are issued only as an incident to the fulfillment of their purposes and not for profit, deposits of such publications may be classified as savings deposits if such deposits meet the other requirements of the definition.

In the opinion of the Board, foreign government accounts and the accounts of their embassies or legations, and quasi-government accounts, such as deposits of Philippine funds and Shipping Board funds, may not be classified as savings deposits because such organizations are not operated primarily for the purposes stated in section 1(e) of Regulation Q. The Board is unable to express an opinion at this time with regard to a deposit of the Pan-American Union since it does not have before it necessary information relating to such organization.

You also present several questions regarding the interpretation of the definition of interest contained in section 1(f) of the revised Regulation Q. In view of the fact that the Board has deferred the date upon which such definition of interest becomes effective, pending action by the Federal Deposit Insurance Corporation on its regulations relating to the payment of interest on deposits by insured nonmember banks, it is not believed advisable to attempt to answer such questions at this time.

You ask to be advised as to the penalties, if any, under Regulation Q. Although no specific penalties are provided for violations of such regulation, your attention is invited to the provisions relating to forfeiture of the charters of national banks and forfeiture of membership in the Federal Reserve System of State member banks. In addition to such provisions, section 30 of the Banking Act of 1933 provides that the Board may remove directors and officers of member banks for continued violations of law or for continued unsafe or unsound practices in conducting the business of such banks.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,  
Secretary.