

INTERPRETATION

X-9429

BANKING ACT OF 1935

(Copies to be sent to all Federal Reserve banks)

January 11, 1936

Mr. _____ Cashier,
 _____ National Bank and Trust Company of _____,
 _____, _____.

Dear Sir:

This refers to your letter dated December 26, 1935, regarding the interpretation of certain provisions of Regulation Q, as revised effective January 1, 1936.

It is understood that several of your depositors which are business corporations carry interest accounts and you wish to be advised whether, under the supplement to Regulation Q, you will be allowed to issue a certificate of deposit having a maturity at least 6 months after the date of deposit and continue to pay interest thereon at your present rate of $2\frac{1}{2}$ per cent. A time certificate of deposit which complies with the definition contained in section 1(c) of Regulation Q and which has a maturity date 6 months or more after the date of deposit or is payable upon written notice of 6 months or more may bear interest at a rate not exceeding $2\frac{1}{2}$ per cent per annum.

You also state that under your present arrangement no interest is paid on any savings account unless the same has been on deposit 6 months or longer and that 30 days' notice is required for withdrawal. It is understood that you wish to be advised whether you may continue to use pass books with a six months' withdrawal provision to evidence

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the accounts of business corporations. The Board sees no objection to the use of a pass book to evidence a "time deposit, open account" of a business corporation or other depositor and, if such deposit complies with the definition contained in section 1(d) of Regulation Q, the bank may pay interest thereon at a rate not exceeding the applicable maximum rate prescribed for time deposits in the supplement to Regulation Q.

Such a deposit of a business corporation could not, of course, be classified as a savings deposit even though a pass book were used in connection therewith, and the bank could not pay $2\frac{1}{2}$ per cent interest thereon unless the written contract between the bank and the depositor, which might be stated in the pass book or elsewhere, provided that neither the whole nor any part of such deposit could be withdrawn except upon written notice of not less than 6 months.

If you have any further questions with regard to this matter or any similar matter, it will be appreciated if you will communicate with the Federal Reserve Bank of _____, which will be glad to answer your inquiries.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.