

INTERPRETATIONBANKING ACT OF 1935

X-9446

(Copies to be sent to all Federal Reserve banks)

January 15, 1936.

Mr. \_\_\_\_\_,  
Executive Vice President,  
The \_\_\_\_\_ National Bank of \_\_\_\_\_,  
\_\_\_\_\_, \_\_\_\_\_.

Dear Sir:

This refers to your letter of December 28, 1935, regarding the payment of interest on savings deposits under the provisions of the supplement to the Board's Regulation Q, effective January 1, 1936.

Under section (1) of the supplement to Regulation Q, no member bank may lawfully pay interest on any savings deposit accruing after January 31, 1935, at a rate in excess of  $2\frac{1}{2}$  per cent per annum, compounded quarterly, regardless of the basis upon which such interest may be computed. It is the view of the Board that if a deposit conforms to the definition of a savings deposit contained in section 1(e) of the Board's Regulation Q, interest may lawfully be paid thereon at a rate not in excess of the maximum rate above prescribed, notwithstanding the fact that the funds contained in such deposit have actually been on deposit with the bank for a period of less than three months. Likewise, a member bank is not prohibited from paying interest on a savings account which has been closed between the bank's regular semiannual interest periods. In either case, however, the amount of interest actually paid on any savings deposit, accruing after January 31, 1935, may not exceed  $2\frac{1}{2}$  per cent per annum, when compounded quarterly, for

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the period during which the deposit actually constituted a savings deposit as defined in Regulation Q.

If you have any further question regarding 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 advise you with respect to any such matters.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,  
Secretary.