

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9653



July 20, 1936.

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

Dear Sir:

There is attached, for the information of your bank, a copy of a letter addressed to the Federal Reserve Agent at Minneapolis under date of July 13, 1936, with respect to the question whether deposits of certain organizations may be classified by member banks as savings deposits under the provisions of Regulation Q "Payment of Interest on Deposits".

Very truly yours,

A handwritten signature in cursive script, reading "S. R. Carpenter". The signature is written in dark ink and is positioned above the typed name and title.

S. R. Carpenter,
Assistant Secretary.

Inclosure.

TO ALL PRESIDENTS

X-9653-a

July 13, 1936.

Mr. W. B. Geery,
Federal Reserve Agent,
Federal Reserve Bank of Minneapolis,
Minneapolis, Minnesota.

Dear Mr. Geery:

This refers to your letter dated June 12, 1936, with which was inclosed a copy of a letter from the Vice President and General Counsel of the _____ National Bank and Trust Company, _____, presenting the question whether deposits of certain organizations may be classified by member banks as savings deposits under the provisions of section 1(e) of Regulation Q.

It is the view of the Board that deposits of business groups, such as the Rotary Club and Kiwanis Club, and of professional associations, such as bar associations, medical associations, and dentists associations, may not be classified by member banks as savings deposits because such organizations are not operated primarily for religious, philanthropic, charitable, educational, fraternal or other similar purposes within the meaning of section 1(e) of Regulation Q. Likewise, deposits of luncheon or dinner clubs, the primary purpose of which is social, may not be classified by member banks as savings deposits because they are not operated primarily for the purposes stated above. All of the above rulings are based upon the fact that the organizations are not operated primarily for the purposes stated in section 1(e) of Regulation Q and are made

without regard to the question whether or not the organizations are operated for profit.

The question is also presented as to whether deposits of mutual benefit clubs or societies may be classified as savings deposits. These clubs and societies are described as follows:

"They include such organizations as _____ Police Benevolent Association, which has established a fund to take care of the families of deceased members, said fund being made up of contributions by the members and proceeds derived from annual policemen's balls and other entertainment. Another example is an association made up of all of the maintenance of way employees of a certain large railway company, each of whom contributes to a fund which is used to take care of members in distress and matters of that kind."

Although it is believed to be undesirable to make a ruling applicable to all mutual benefit clubs and societies without examining the facts of each particular case, it is the view of the Board that organizations of the kinds described in the above-quoted paragraph may be considered as organizations operated primarily for the purposes stated in section 1(e) of Regulation Q and that deposits of such organizations may be classified by member banks as savings deposits if they meet the other requirements of the regulation.

With respect to publications of professional associations, such as the _____ Law Review, it is believed that the ruling published at page 119 of the Federal Reserve Bulletin for February, 1936, provides an answer to the question presented. In the published ruling, the Board stated that if the non-profit

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organizations in question 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. However, in view of the fact that the Board is not informed as to the organization which publishes the _____ Law Review, it is unable to express an opinion upon the question whether this deposit may be classified by a member bank as a savings deposit.

It will be appreciated if you will advise the _____ National Bank and Trust Company of the Board's views regarding the above matters.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.