

X-9703
Reg. Q-26

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve banks)

September 22, 1936

Mr. _____, Vice President,
Federal Reserve Bank of _____,
_____, _____.

Dear Mr. _____:

This refers to your letter dated June 29, 1936, and inclosures, requesting a ruling by the Board upon the question whether a member bank may classify as a savings deposit funds consisting of a cash bond given by an employee to his employer, such funds to be withdrawn from the deposit account only upon the joint signatures of the employer and the employee. A reply to your letter has been delayed pending consideration by the Board of a number of similar questions.

Section 1 of the California Act Regulating Employees' Bonds (Act approved April 20, 1917, Stats. 1917, p. 151, Chap. 108, as amended,) provides that "no employer shall demand, exact or accept any cash bond from any employee or applicant for employment unless * * * the said cash received as a bond is deposited in a savings account in a bank authorized to do business in this State, to be drawn out only upon the joint signatures of the said employer and the said employee or applicant for employment, * * *."

Section 1 $\frac{1}{2}$ of the above Act provides that "any money or property put up by any employee or applicant for employment as a cash

bond in any case must not be used for any purpose other than liquidating accounts between the employer and his said employee or return to the said employee or applicant for employment, and shall be held in trust for this purpose and not mingled with the money or property of the employer who receives same, any provision of any contract between the employer and employee or applicant for employment to the contrary notwithstanding."

It is the view of the Board that deposits of cash bonds made in accordance with the above statutory provisions may be considered deposits in which the entire beneficial interest is held by an individual and that such deposits may be classified by member banks as savings deposits under the definition in section 1(e) of Regulation Q, provided they comply with the other requirements of the section.

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,
Assistant Secretary.