

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
FEDERAL DEPOSIT INSURANCE CORPORATION

JOINT STATEMENT FOR THE PRESS

For release in morning newspapers  
of Friday, February 12, 1937.

In view of widespread differences of opinion in the law-making and administrative branches of the Government as to the intent of the law and as a result of further consultations between the Federal Deposit Insurance Corporation and the Board of Governors of the Federal Reserve System, their respective regulations relating to the payment of interest on demand deposits have been brought into uniformity by amendments adopted by the Board and by the Corporation.

The definition of "interest" has been eliminated from Regulation Q of the Board and from Regulation IV of the Federal Deposit Insurance Corporation and paragraph (a) of section 2 of each regulation has been amended by inserting after the first sentence the following: "Within this regulation, any payment to or for the account of any depositor as compensation for the use of funds constituting a deposit shall be considered interest."

The effect of these amendments is to declare existing law rather than to interpret and apply the law to particular practices. This will permit the general application by each agency of a uniform law and a determination of specific cases based upon the facts involved. It will also permit each agency to determine, with respect to cases coming before it, whether or not any practice involved in any such cases is a "device" within the meaning of the statute employed by the banks to evade the prohibition of the law.

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The Board of Governors, in its original definition of the term "interest" (section 1(f)), specified that such term should include the payment or absorption of exchange or collection charges which involve out-of-pocket expenses. The present action of the Board of Governors removes this finding or specification from its regulation.

Henceforth under both regulations the question of what in a particular case is a payment of interest upon a demand deposit or a device to evade the prohibition against the payment of such interest, becomes, for both agencies, a matter of administrative determination under the general law in the light of experience and as specific cases may develop.