

X-9846
Reg. Q-29.

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal reserve banks)

March 18, 1937.

Mr. _____,
Vice President and Cashier,
_____ National Bank in _____,
_____, _____.

Dear Sir:

This refers to your letter of March 8, 1937 regarding the question whether the absorption by your bank of the expense of printing customers' names on checks or the numbering thereof would be considered a payment of interest within the meaning of section 19 of the Federal Reserve Act and Regulation Q.

The regulation as amended effective February 11, 1937 contains the following provision: "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."

For the present the Board of Governors will not attempt to issue detailed interpretations or rulings with reference to questions as to whether the absorption of certain expenses constitutes a payment of interest, but will rely upon the cooperation and good faith of the member banks in adapting their practices to conform to the spirit and purpose of the statutory provisions prohibiting the direct or indirect payment of interest on demand deposits. The determination of such questions involves a due

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recognition of the spirit and intent of the law and the exercise of judgment on the part of the bank in the light of the provisions of the regulation and of all the circumstances of the case. If, after considering such a question in this light, there appears to be any serious problem with respect to the matter, it is believed that it can best be handled in due course upon a review of all the facts shown by the records of the bank and the examiner's reports, if the necessity arises. The Board trusts that through the cooperation of the member banks in this matter the necessity for numerous detailed rulings on the subject may be avoided.

Very truly yours,

(Signed) Chester Morrill,

Chester Morrill,
Secretary.