

TITLE 12 - BANKS AND BANKING
CHAPTER 3 - FEDERAL RESERVE SYSTEM
SUBCHAPTER X - POWERS AND DUTIES OF MEMBER BANKS

§ 371a. Payment of interest on demand deposits

No member bank shall, directly or indirectly, by any device whatsoever, pay any interest on any deposit which is payable on demand: Provided, That nothing herein contained shall be construed as prohibiting the payment of interest in accordance with the terms of any certificate of deposit or other contract entered into in good faith which is in force on the date on which the bank becomes subject to the provisions of this section; but no such certificate of deposit or other contract shall be renewed or extended unless it shall be modified to conform to this section, and every member bank shall take such action as may be necessary to conform to this section as soon as possible consistently with its contractual obligations: Provided further, That this section shall not apply to any deposit of such bank which is payable only at an office thereof located outside of the States of the United States and the District of Columbia: Provided further, That until the expiration of two years after August 23, 1935, this section shall not apply

- (1) to any deposit made by a savings bank as defined in section 12B of this Act, as amended, or by a mutual savings bank, or
- (2) to any deposit of public funds made by or on behalf of any State, county, school district, or other subdivision or municipality, or to any deposit of trust funds if the payment of interest with respect to such deposit of public funds or of trust funds is required by State law. So much of existing law as requires the payment of interest with respect to any funds deposited by the United States, by any Territory, District, or possession thereof, or by any public instrumentality, agency, or officer of the foregoing, as is inconsistent with the provisions of this section is repealed. Notwithstanding any other provision of this section, a member bank may permit withdrawals to be made automatically from a savings deposit that consists only of funds in which the entire beneficial interest is held by one or more individuals through payment to the bank itself or through transfer of credit to a demand deposit or other account pursuant to written authorization from the depositor to make such payments or transfers in connection with checks or drafts drawn upon the bank, pursuant to terms and conditions prescribed by the Board.

(Dec. 23, 1913, ch. 6, § 19(i), formerly § 19 par. (12), as added June 16, 1933, ch. 89, § 11(b), 48 Stat. 181; amended Aug. 23, 1935, ch. 614, title III, § 324(c), 49 Stat. 714; Proc. No. 2695, eff. July 4, 1946, 11 F.R. 7517, 60 Stat. 1352; renumbered § 19(i), Pub. L. 89-597, § 2(b), Sept. 21, 1966, 80 Stat. 824; Pub. L. 96-161, title I, § 101(a), Dec. 28, 1979, 93 Stat. 1233; Pub. L. 96-221, title III, §§ 302(a), 307, Mar. 31, 1980, 94 Stat. 145, 147.)

References in Text

Section 12B of this Act [Federal Reserve Act], as amended, referred to in text, formerly classified to section 264 of this title, has been withdrawn from the Federal Reserve Act and incorporated in the Federal Deposit Insurance Act which is classified to chapter 16 (§ 1811 et seq.) of this title.

This section, referred to in the last sentence, means section 19 of act Dec. 23, 1913, as amended, which is classified to sections 142, 371a, 371b, 371b-1, 374, 374a, 461, 463 to 466, 505, and 506 of this title.

Codification

Words “(including the Philippine Islands)” following “or any possession thereof” were omitted from text on authority of Proc. No. 2695, which granted independence to the Philippine Islands pursuant to section 1394 of Title 22. Proc. No. 2695 is set out as a note under section 1394 of Title 22, Foreign Relations and Intercourse.

Amendments

1980—Pub. L. 96–221, §§ 302(a), 307, inserted provision identical to provision added by Pub. L. 96–161 respecting authorization of member banks to permit withdrawals to be made automatically from savings deposits consisting only of funds in which the entire beneficial interest is held by one or more individuals through payment to the bank itself or through transfer of credit to a demand deposit or other account pursuant to written authorization from the depositor to make such transfer or payments in connection with checks or drafts drawn upon the bank, and repealed the amendment made by Pub. L. 96–161. See Repeals and Effective Date of 1980 Amendment notes below.

1979—Pub. L. 96–161 inserted provision allowing member banks to permit withdrawals to be made automatically from a savings deposit that consists only of funds in which the entire beneficial interest is held by one or more individuals through payment to the bank itself or through transfer of credit to a demand deposit or other account pursuant to written authorization from the depositor to make such payments or transfers in connection with checks or drafts drawn upon the bank, pursuant to terms and conditions prescribed by the Board.

1935—Act Aug. 23, 1935, affected three provisos and added last sentence.

Effective Date of 1980 Amendment

Section 306 of title III of Pub. L. 96–221 provided that: “The amendments made by sections 302, 304, and 305 of this title [amending this section and sections 1464, 1752, 1757, 1763, 1785, and 1828 of this title] shall take effect at the close of March 31, 1980, and the amendments made by section 303 of this title [amending section 1832 of this title] shall take effect on December 31, 1980.”

Effective and Termination Dates of 1979 Amendment

Section 104 of Pub. L. 96–161 which provided that the amendments made by sections 101–103 [amending this section and sections 1464, 1752, 1757, and 1828 of this title] shall take effect on Dec. 31, 1979, and shall remain in effect until the close of Mar. 31, 1980, was omitted from the Code in view of the repeal of the amendments made by sections 101–103 of Pub. L. 96–161 by Pub. L. 96–221, title III, § 307, Mar. 31, 1980, 94 Stat. 147.

Repeals

Amendment by section 101 of Pub. L. 96–161, cited as a credit to this section, was repealed at the close of Mar. 31, 1980, by section 307 of Pub. L. 96–221, and substantially identical provisions were enacted by section 302 of Pub. L. 96–221, such amendments to take effect at the close of Mar. 31, 1980.