

1204.

APPROVAL, NOTES OF WEST UNION VILLAGE SCHOOL DISTRICT,
ADAMS COUNTY, OHIO—\$8,365.00.

COLUMBUS, OHIO, July 27, 1933.

Retirement Board, State Teachers Retirement System, Columbus, Ohio.

1205.

APPROVAL, NOTES OF SPRIGG RURAL SCHOOL DISTRICT, ADAMS
COUNTY, OHIO—\$6,322.00.

COLUMBUS, OHIO, July 27, 1933.

Retirement Board, State Teachers Retirement System, Columbus, Ohio.

1206.

APPROVAL, NOTES OF FRANKLIN TOWNSHIP RURAL SCHOOL DIS-
TRICT, DARKE COUNTY, OHIO—\$2,857.00.

COLUMBUS, OHIO, July 27, 1933.

Retirement Board, State Teachers Retirement System, Columbus, Ohio.

1207.

APPROVAL, SUPPLEMENTAL RESOLUTION FOR ROAD IMPROVE-
MENT IN WILLIAMS COUNTY, OHIO.

COLUMBUS, OHIO, July 28, 1933.

HON. O. W. MERRELL, *Director of Highways, Columbus, Ohio.*

1208.

BANK—PAYMENT OF INTEREST ON DEMAND DEPOSITS OF POLITI-
CAL SUBDIVISIONS PERMISSIBLE BY MEMBER FEDERAL RE-
SERVE SYSTEM WHEN—GLASS-STEAGALL ACT DISCUSSED.

SYLLABUS:

The Banking Act of 1933 (Glass-Steagall Act) does not prohibit a member bank of the Federal Reserve System from paying interest upon demand deposits of coun-

ties, townships or school districts where the depository contracts were entered into under the respective depository statutes of Ohio which require the payment of interest upon such deposits.

COLUMBUS, OHIO, July 28, 1933.

HON. JOHN H. HOUSTON, *Prosecuting Attorney, Georgetown, Ohio.*

DEAR SIR:—I have your letter of recent date which reads as follows:

“Since the passage of the Glass-Steagall Banking Bill recently signed by the President, inquiry has arisen from several of the banks in this county that are members of the Federal Reserve System as to the payment of depository interest on county, township and school funds. The pertinent part of the bill provides that no members of the Federal Reserve System may pay interest after the passage of this act through any devise whatsoever on any demand deposit.

As you are well aware, the Ohio laws make it mandatory to pay not less than 2% on inactive accounts and not less than 1% on active accounts. Under such Ohio law it makes no difference whether said deposits are demand deposits or time deposits, as the classification is simply on active and inactive. The banks are now anxious to know whether or not the interest payments will continue under the Ohio law or whether they will be governed by said provision of the Glass-Steagall Bill on these public deposits.

As you doubtless well know, all deposits of county, school and township funds are subject to withdrawal upon demand. This is a matter of great interest throughout the State as doubtless the State government as well as various lesser political units are vitally interested and probably you have already prepared an answer to this question.”

Section 11 of the Banking Act of 1933, commonly referred to as the Glass-Steagall Act, among other things, contains an amendment to Section 19 of the Federal Reserve Act (U. S. C., title 12, secs. 142, 374, 461-466; Supp. VI, title 12, sec. 462a). Paragraph (b) of Section 1 provides, *inter alia*:

“Such section 19 of the Federal Reserve Act, as amended, is further amended by adding at the end thereof the following new paragraphs:

‘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 heretofore entered into in good faith which is in force on the date of the enactment of this paragraph; but no such certificate of deposit or other contract shall be renewed or extended unless it shall be modified to conform to this paragraph, and every member bank shall take such action as may be necessary to conform to this paragraph as soon as possible consistently with its contractual obligations: *Provided, however*, That this paragraph shall not apply to any deposit of such bank which is payable only at an office thereof located in a foreign country, and *shall not apply to any deposit made by a mutual savings bank, nor to any deposit of public funds made by or on behalf*

of any State, county, school district, or other subdivision or municipality, with respect to which payment of interest is required under State law.'"
(Italics the writer's.)

It thus appears that deposits of public funds made by or on behalf of any State or a subdivision thereof upon which interest is required under State law are specifically excepted from the provisions prohibiting any member bank of the Federal Reserve System from paying interest on demand deposits. Your request concerns county, township and school funds. Section 2716 of the General Code, which is part of the County Depository Act, provides for the payment of interest at not less than two per cent per annum on the average daily balance on inactive deposits and not less than one per cent on active deposits.

Section 3323, General Code, provides that township depositories shall pay not less than two per cent on the average daily balance. Section 7605, General Code, provides that depositories of school funds shall pay not less than two per cent for the full time such funds or any part thereof are on deposit. It thus appears that in regard to the political subdivisions concerned, "payment of interest is required under State law."

In the light of the foregoing, it is my opinion that the Banking Act of 1933 (Glass-Steagall Act) does not prohibit a member bank of the Federal Reserve System from paying interest upon demand deposits of counties, townships or school districts where the depository contracts were entered into under the respective depository statutes of Ohio which require the payment of interest upon such deposits.

Respectfully,
JOHN W. BRICKER,
Attorney General.

1209.

DISAPPROVAL, BONDS OF ROCKY RIVER VILLAGE SCHOOL DISTRICT, CUYAHOGA COUNTY, OHIO—\$6,000.00.

COLUMBUS, OHIO, July 28, 1933.

Retirement Board, State Teachers Retirement System, Columbus, Ohio.

GENTLEMEN:

Re: Bonds of Rocky River Village School Dist., Cuyahoga County, Ohio, \$6,000.00.

I have examined the transcript relative to the above purchase of bonds, which comprise part of an issue dated March 3, 1930, in the aggregate amount of \$187,000, issued for the purpose of erecting a fireproof school building.

This transcript discloses that these bonds have been authorized pursuant to favorable vote of more than 55% of the electors at the November, 1929, election on the question of issuing bonds in this aggregate amount "for the purpose of erecting and furnishing a schoolhouse" and levying a tax to meet the interest and