

MR. CLAYTON:

I have revised the attached letter principally from the standpoint of toning down somewhat the statement as to the possibility of admission to membership of banks located in dependencies or insular possessions, since it appears probable that the Board will follow the suggestion contained in the memorandum of the Division of Examinations that the two pending applications from Puerto Rico be withdrawn.

A handwritten signature in dark ink, appearing to be 'B. H. W.' or similar, written in a cursive style.

6/1/36

TO Mr. Wingfield
FROM _____

REMARKS:

*For initials or
comment.*

LC

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date May 27, 1936To Mr. Eccles, ChairmanSubject: Definition of "bank" inFrom Mr. Wingfield, Assistant General Counseltax bill.

G P O 16-852

Referring to Mr. Clayton's memorandum to Mr. Wyatt of May 27, 1936, it appears that the proposed definition of the term "bank" for use in the new tax bill covers any bank which is a member of the Federal Reserve System at this time. However, it may not cover a bank organized under the laws of a dependency or insular possession of the United States which is eligible for admission to membership in the System under the provisions of section 19 of the Federal Reserve Act. For example, it appears that such definition may not cover two banks in Puerto Rico which were organized under local laws and which recently applied for admission to membership in the System. It is possible that, in applying the tax act, the term "territory" used in the definition would be construed as covering dependencies or insular possessions, but this is not clear.

No banks located in a dependency or insular possession are now members of the System but, since it is possible that such a bank might in the future be admitted to membership, it is suggested that the attention of Mr. Oppen, in the Treasury Department, be called to this point for consideration, referring particularly to the language used in section 19 of the Federal Reserve Act relating to admission to membership of banks which are located in a dependency or insular possession of the United States.

Respectfully,

B. Magruder Wingfield,
Assistant General Counsel.

P. S. A telephone conversation with one of the gentlemen in the Bureau of Internal Revenue indicates that the tax bill may not cover dependencies or insular possessions but, in any event, it will do no harm to call the point referred to above to the attention of Mr. Oppen.

(a) Definition. - As used in this section the term "bank" means a bank or trust company incorporated and doing business under the laws of the United States (including laws relating to the District of Columbia), of any State, or of any territory, a substantial portion of the business of which consists of receiving deposits and making loans and discounts, or of exercising fiduciary powers similar to those permitted to national banks under section 11(k) of the Federal Reserve Act, as amended, and which is subject by law to supervision and examination by State or Federal authority having supervision over banks.