

**FEDERAL RESERVE BANK
OF DALLAS**

Dallas, Texas, July 2, 1934

BORROWINGS OF EXECUTIVE OFFICERS OF MEMBER BANKS

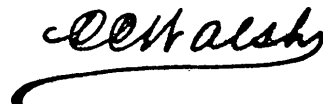
To the Member Bank Addressed:

During the past year, it has been necessary for us to report to the Federal Reserve Board at Washington a large number of apparent violations of the provisions of Section 22(g) of the Federal Reserve Act relating to the borrowings of executive officers of member banks. In many of these cases, we were advised by the offending officers that they were not aware of the provisions of this law, or thought they were not to take effect until January 1, 1934.

Your attention is, therefore, invited to the provisions of the above-mentioned section (which I am quoting below), and to the fact that this law became operative on the date of its enactment, June 16, 1933:

“No executive officer of any member bank shall borrow from or otherwise become indebted to any member bank of which he is an executive officer, and no member bank shall make any loan or extend credit in any other manner to any of its own executive officers: Provided, That loans heretofore made to any such officer may be renewed or extended not more than two years from the date this paragraph takes effect, if in accord with sound banking practice. If any executive officer of any member bank borrow from or if he be or become indebted to any bank other than a member bank of which he is an executive officer, he shall make a written report to the chairman of the board of directors of the member bank of which he is an executive officer, stating the date and amount of such loan or indebtedness, the security therefor, and the purpose for which the proceeds have been or are to be used. Any executive officer of any member bank violating the provisions of this paragraph shall be deemed guilty of a misdemeanor and shall be imprisoned not exceeding one year, or fined not more than \$5,000, or both; and any member bank violating the provisions of this paragraph shall be fined not more than \$10,000, and may be fined a further sum equal to the amount so loaned or credit so extended.”

Yours very truly,



Federal Reserve Agent