

**FEDERAL RESERVE BANK  
OF DALLAS**

September 17, 1935

**CONDITION REPORTS OF AFFILIATES OF MEMBER BANKS**

**To the State Member Bank Addressed:**

This letter supersedes my circular letter on the above subject dated September 12, 1935, in which an error of omission has been found. You will therefore please substitute and be guided by this communication in lieu of my earlier letter on this subject.

The Federal Reserve Act requires affiliates of State member banks to render and publish periodical reports simultaneously with the rendition and publication of the condition reports which State member banks are required to make upon call of the Board of Governors of the Federal Reserve System. Under the terms of the Banking Act of 1935, however, the Board is authorized to waive such reports of affiliates where they are not necessary to disclose fully the relations between the banks and the affiliate and the effect thereof upon the affairs of the bank.

Pursuant to the above-mentioned authorization the Board of Governors of the Federal Reserve System has waived the requirement for the submission of reports of affiliates (other than "holding company affiliates" as defined in Section 2(c) of the Banking Act of 1933, as amended) of State member banks of the Federal Reserve System, except:

- a. Where the affiliation exists by reason of control by the member bank as defined in Section 2(b) (1) of the Banking Act of 1933, as amended, which provision reads as follows:

"Except where otherwise specifically provided, the term 'affiliate' shall include any corporation, business trust, association, or other similar organization \* \* \*

"Of which a member bank, directly or indirectly, owns or controls either a majority of the voting shares or more than 50 per centum of the number of shares voted for the election of its directors, trustees, or other persons exercising similar functions at the preceding election, or controls in any manner the election of a majority of its directors, trustees, or other persons exercising similar functions."
- b. Where the affiliate has been indebted to the member bank for more than six months in the twelve months preceding the report date in an amount in excess of 1 per cent of the bank's unimpaired capital and surplus or \$5,000, whichever amount is the smaller, regardless of whether the affiliate is so indebted on the report date.
- c. Where the affiliate on the report date is indebted to the member bank or the member bank owns obligations of or an interest in said affiliate on said date and the aggregate amount of such indebtedness, obligations, and interest is in excess of 1 per cent of the member bank's unimpaired capital and surplus or \$5,000, whichever amount is the smaller.

The Board of Governors of the Federal Reserve System also waives the requirement for the submission of reports of affiliates in all cases where the affiliate relationship is based solely on ownership or control of any voting shares of the affiliate by a member bank as executor, administrator, trustee, receiver, agent, depositary, or in any other fiduciary capacity, except where such shares are held for the benefit of all or a majority of the stockholders of such member banks.

The above provisions with respect to the waiving of the requirements for submission of reports of affiliates are subject to change whenever deemed advisable by the Board of Governors of the Federal Reserve System in order to require the submission of reports which are necessary to disclose fully relations between member banks and their affiliates and the effect thereof upon the affairs of member banks.

The foregoing terms of waiver do not apply to reports of **holding company** affiliates, which, under the terms of the law, must in all cases be submitted.

Yours very truly,



Federal Reserve Agent