

FEDERAL RESERVE BANK OF DALLAS
DALLAS, TEXAS

November 27, 1959

AMENDMENT TO REGULATION R

**To All Member Banks and Others Concerned
in the Eleventh Federal Reserve District:**

There is enclosed a reprint of Regulation R of the Board of Governors of the Federal Reserve System. The purpose of reprinting the Regulation is to give effect to an amendment adopted by the Board to include obligations of three additional Federal agencies in the section that exempts relationships with firms dealing only in certain types of obligations. Specifically, Section 2 has been amended effective October 23, 1959, by striking out the words "debentures issued by Federal Intermediate Credit banks, bonds issued by Federal Land banks," and substituting therefor "obligations of Federal Intermediate Credit banks, Federal Land banks, Central Bank for Cooperatives, Federal Home Loan Banks, and the Federal National Mortgage Association,".

Member banks are requested to insert this reprint of the Regulation in their ring binders containing the Regulations of the Board of Governors and the Bulletins of this bank.

Yours very truly,

Watrous H. Irons

President

**BOARD OF GOVERNORS
of the
FEDERAL RESERVE SYSTEM**

**RELATIONSHIPS WITH DEALERS IN
SECURITIES UNDER SECTION 32
OF THE BANKING ACT OF 1933**



**REGULATION R
(12 CFR 218)**

As Amended October 23, 1959



INQUIRIES REGARDING THIS REGULATION

Any inquiry relating to this regulation should be addressed to the Federal Reserve bank of the district in which the inquiry arises.

STATUTORY AUTHORITY

Section 32 of the Banking Act of 1933 (U.S.C., Title 12, sec. 78), as amended by section 307 of the Banking Act of 1935, effective January 1, 1936, reads as follows:

Sec. 32. No officer, director, or employee of any corporation or unincorporated association, no partner or employee of any partnership, and no individual, primarily engaged in the issue, flotation, underwriting, public sale, or distribution, at wholesale or retail, or through syndicate participation, of stocks, bonds, or other similar securities, shall serve the same time as an officer, director, or employee of any member bank except in limited classes of cases in which the Board of Governors of the Federal Reserve System may allow such service by general regulations when in the judgment of the said Board it would not unduly influence the investment policies of such member bank or the advice it gives its customers regarding investments.

REGULATION R

(12 CFR 218)

As Amended October 23, 1959

RELATIONSHIPS WITH DEALERS IN SECURITIES UNDER SECTION 32 OF THE BANKING ACT OF 1933 *

SECTION 218.1—PROHIBITIONS

Under section 32 of the Banking Act of 1933 (49 Stat. 709; 12 U.S.C. 78), except as stated in §218.2, no officer, director, or employee of any corporation or unincorporated association, no partner or employee of any partnership, and no individual primarily engaged in the issue, flotation, underwriting, public sale, or distribution, at wholesale or retail, or through syndicate participation, of stocks, bonds, or other similar securities, can legally be at the same time an officer, director, or employee of any member bank of the Federal Reserve System.¹

SECTION 218.2—EXCEPTIONS

Pursuant to the authority vested in it by section 32, the Board of Governors of the Federal Reserve System hereby permits the following relationships:²

Any officer, director, or employee of any corporation or unincorporated association, any partner or employee of any partnership, or any individual, not engaged in the issue, flotation, underwriting, public

* This text corresponds to the Code of Federal Regulations, Title 12, Chapter II, Part 218; cited as 12 CFR 218.

¹ Therefore, by its terms, section 32 does not apply—

(a) To a person who is not an officer, director, or employee of a member bank of the Federal Reserve System;

(b) To a person (1) who is not an officer, director, or employee of a corporation or unincorporated association primarily engaged in the issue, flotation, underwriting, public sale, or distribution, at wholesale or retail, or through syndicate participation, of stocks, bonds or other similar securities, (2) who is not a partner or employee of a partnership primarily so engaged, and (3) who is not, in his individual capacity, primarily so engaged.

A broker who is engaged solely in executing orders for the purchase and sale of securities on behalf of others in the open market is not engaged in the business referred to in section 32.

² Under section 32, as amended effective January 1, 1936 (49 Stat. 709; 12 U.S.C. 78), the Board is authorized to except limited classes of relationships from the prohibitions of the statute, under certain conditions; but the Board can make such exceptions only by general regulations and is not authorized to issue individual permits.

sale, or distribution, at wholesale or retail, or through syndicate participation of any stocks, bonds, or other similar securities except bonds, notes, certificates of indebtedness, and Treasury bills of the United States, obligations fully guaranteed both as to principal and interest by the United States, obligations of Federal Intermediate Credit banks, Federal Land banks, Central Bank for Cooperatives, Federal Home Loan Banks, and the Federal National Mortgage Association, and general obligations of Territories, dependencies and insular possessions of the United States, may be at the same time an officer, director, or employee of any member bank of the Federal Reserve System, except when otherwise prohibited.³

SECTION 218.3—AMENDMENTS

The right to alter, amend, or repeal this Part, in whole or in part, is expressly reserved.

³ Section 8 of the Clayton Act (38 Stat. 732, 49 Stat. 718; 15 U.S.C. 19) is applicable in certain circumstances to interlocking relationships between member banks and private bankers, and other banks, banking associations, savings banks and trust companies. See Part 212 of this Chapter.

Section 17(c) of the Public Utility Act of 1935 (49 Stat. 831; 15 U.S.C. 79q(c)) is applicable in certain circumstances to interlocking relationships between banks and private bankers (and corporations owned by banks and private bankers), and public utility companies and public utility holding companies. Inquiries regarding this section should be addressed to the Securities and Exchange Commission and not to the Board of Governors of the Federal Reserve System.

Section 305(b) of the Federal Power Act (49 Stat. 856; 16 U.S.C. 825d(b)) is applicable in certain circumstances to interlocking relationships between public utility companies and banks and bankers that are authorized by law to underwrite or participate in the marketing of securities of a public utility. Inquiries regarding this section should be addressed to the Federal Power Commission and not to the Board of Governors of the Federal Reserve System.