

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 1399]
July 12, 1934.]

LOANS TO EXECUTIVE OFFICERS OF MEMBER BANKS
(Section 22(g) of the Federal Reserve Act)

To all Member Banks in the
Second Federal Reserve District:

I quote the following from a letter which I have received from the Federal Reserve Board:

The Attorney General of the United States has called the attention of the Federal Reserve Board to the fact that in a large number of cases which have been reported by it and the Comptroller of the Currency to the Department of Justice as possible violations of the provisions of section 22(g) of the Federal Reserve Act, it has been represented that the offending officers were not aware of such provisions or thought they were not to take effect until January 1, 1934, and has suggested that a circular be transmitted to all member banks, including national banks, advising of these provisions and the effective date of the statute. In the circumstances, if you have not already done so, it will be appreciated if you will transmit a circular of the kind suggested by the Attorney General to all member banks in your district.

In accordance with the request of the Federal Reserve Board, I am transmitting this circular to all member banks in the Second Federal Reserve District to call their attention to the fact that Section 12 of the Banking Act of 1933 amended Section 22 of the Federal Reserve Act by adding at the end thereof the following new paragraph, which became effective on June 16, 1933, the date of the approval of the Banking Act of 1933.

(g) 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.

As previously stated, Section 22(g) of the Federal Reserve Act, quoted above, became effective on June 16, 1933.

J. H. CASE,
Federal Reserve Agent.