LOANS TO EXECUTIVE OFFICERS OF MEMBER BANKS

(Section 22(g) of the Federal Reserve Act as Amended by Joint Resolution, Approved June 14, 1935)

To all Member Banks in the
Second Federal Reserve District:

The following joint resolution passed by both houses of Congress on June 11, 1935, was today approved by the President:

"Resolved, etc., that subsection (g) of Section 22 of the Federal Reserve Act is hereby amended by striking out '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' and inserting in lieu thereof 'Provided, That loans made to any such officer prior to June 16, 1933, may be renewed or extended for periods expiring not more than five years from such date where the board of directors of the member bank shall have satisfied themselves that such extension or renewal is in the best interest of the bank and that the officer indebted has made reasonable effort to reduce his obligation, these findings to be evidenced by resolution of the board of directors spread upon the minute book of the bank.'"

Subsection (g) of Section 22 of the Federal Reserve Act, as amended by the above quoted joint resolution, reads as follows:

(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 made to any such officer prior to June 16, 1933, may be renewed or extended for periods expiring not more than five years from such date where the board of directors of the member bank shall have satisfied themselves that such extension or renewal is in the best interest of the bank and that the officer indebted has made reasonable effort to reduce his obligation, these findings to be evidenced by resolution of the board of directors spread upon the minute book of the bank. 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.

This circular is sent to all member banks in the Second Federal Reserve District for their information.

J. H. Case,
Federal Reserve Agent.