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AND FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

July 24, 1917.

Dear Sir:

The Board has had frequent inquiries since the passage of the Act approved June 21, 1917, amending the Federal Reserve Act, as to the proper construction of Section 22 as amended, which requires the vote or written consent of a majority of the board of directors of a bank for loans to directors. Inquiry is made whether specific authority must be procured in each case where a loan is made or whether this assent may be given for all loans up to a specific amount.

In the opinion of the Federal Reserve Board and of its counsel, the assent may be given by a resolution of the board of directors fixing a specific amount but all loans made under such authority should be reported and ratified at a subsequent meeting of the board of directors.

It is suggested that a resolution of the board of directors of a member bank might be adopted substantially as follows:

"RESOLVED, That the president, cashier, or assistant cashier of this bank be, and he is hereby authorized to discount notes, drafts, or bills of exchange for _____, a director of this bank, on the same terms and conditions as other notes, drafts, bills of exchange or other evidences of debt are discounted for customers of the bank, Provided, the aggregate amount of such notes, drafts and bills of exchange discounted for such director and remaining unpaid shall at no time exceed the sum of \$_____. Provided, further that in any case in which any note, draft or bill of exchange is discounted under authority of this resolution, a report shall be made thereof at the next subsequent meeting of the Executive and Discount Committee of the Board and such report shall show the aggregate amount of liabilities of such director to this bank."

You are requested to advise any of your member banks which may be interested, of this ruling of the Board.

Very truly yours,

Governor.