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FEDERAL RESERVE BOARD

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ADDRESS REPLY TO
FEDERAL RESERVE BOARD

March 12, 1919.

X-1419

SUBJECT: Reference to Federal Reserve Bank Connections
in Advertisements of Private Business.

Dear Sir:

The attention of the Board was called sometime since to a circular which had been sent out by a brokerage firm offering for sale stock in an oil company. This circular begins, as follows:

"Would you join several Directors of the United States Federal Reserve Bank in a producing oil enterprise?", and goes on to say "The President, Mr. -----, is a Director of the United States Federal Reserve Bank of the ----- District, which in itself is a guarantee of the unusual character of this oil-producing enterprise."

While the Board does not assume any jurisdiction over the business affiliations of any director of a Federal reserve bank except in so far as such connections may affect his qualifications as prescribed in Section 4 of the Federal Reserve Act, it has always entertained the view that no director or officer of a Federal reserve bank should permit his connection with the bank to be used in furthering his private business or the interest of any corporation with which he may be associated.

The Board is confident that it is supported in this opinion by the directorates of all the Federal reserve banks, and its investigation of the particular case above referred to has demonstrated the fact that the director in question did not sanction the reference to his connection with the Federal reserve bank in the advertising literature sent out, nor was the stock offered for sale by the corporation with which he is connected, but that the stock offered belonged to individual holders and the use of the director's name was made without his knowledge or consent. The Board is informed also that after his attention had been called to these circulars he demanded that no more of them be sent out and that he spent a considerable amount of money in calling in the advertising matter which contained the improper reference.

In order, however, to avoid any misunderstanding of the Board's attitude in this matter, you are requested to lay this letter before your directors at their next regular meeting in order that it may be understood that it is the view of the Federal Reserve Board that no director of a Federal reserve bank (or of a branch) shall permit a reference to his connection

with the bank to be used for the purpose of advertising or promoting his private business connections, and that any failure or neglect on the part of a director to prevent or to stop reference to his official position in advertisements of a private business will be deemed sufficient cause for calling upon him to sever his connection either with the business so advertised or with the Federal reserve bank.

Very truly yours,

Governor.