

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-4619

June 15, 1926.

SUBJECT: Reporting violation of criminal statute prohibiting use of words "Federal", "Reserve", etc.

Dear Sir:

There is enclosed herewith for your information a copy of an Act of Congress which was approved and became a law on May 24, 1926, to prohibit the offering for sale as Federal Farm Loan Bonds, of any securities not issued under the terms of the Farm Loan Act, to limit the use of the words "Federal", "United States" or "Reserve" in the titles of private institutions and to prohibit false advertising by banks not members of the Federal Reserve System. The provisions of this act are as follows:

1. It prohibits the advertising or offering for sale as Federal Farm Loan Bonds, of any securities not issued under the provisions of the Federal Farm Loan Act.

2. It prohibits the use of the word "Federal" or "United States" or any other words implying Government ownership, obligation or supervision, in advertising or offering for sale any securities not issued by the United States or under the provisions of some act of Congress.

3. It prohibits any firm, person or corporation doing a banking, loan, building and loan, brokerage, factorage, insurance, indemnity or trust business other than the Federal Reserve Board, Federal Farm Loan Board, Federal Trade Commission, or any other department or independent establishment of the United States, or any Federal reserve bank, Federal land bank, Federal reserve agent, Federal Advisory Council, or any corporation organized under the laws of the United States, to use the words "Federal", "United States" or "Reserve" as a part of its name or title. Firms, persons or corporations actually engaged in business under a name or title including these words prior to the passage of the law are expressly excepted from the prohibitions of the act.

4. It prohibits any bank, banking association or trust company which is not a member of the Federal Reserve System to advertise or represent that it is a member of such System.

5. Violation of the provisions of the law is made a misdemeanor punishable by fine or imprisonment or both, and the illegal use of the words above set out, may be prevented by injunction.

Since this is a criminal statute violations of its provisions come under the jurisdiction of the Department of Justice. You are requested, therefore, to report the facts in all cases of violations of this law coming to your notice, to the local United States District Attorney and also to send a full report of the matter to the Federal Reserve Board. This report to the Board should be made in duplicate in order that the Board may transmit a copy thereof to the Department of Justice, which may then take such action as it considers advisable in each case.

Yours very truly,

Walter L. Eddy.
Secretary.

Enclosure.

TO ALL FEDERAL RESERVE AGENTS.

(Public - No. 279 - 69th Congress)

(S. 2606)

An Act To prohibit offering for sale as Federal farm loan bonds any securities not issued under the terms of the Farm Loan Act, to limit the use of the words "Federal," "United States," or "reserve," or a combination of such words, to prohibit false advertising, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That no bank, banking association, trust company, corporation, association, firm, partnership, or person not organized under the provisions of the Act of July 17, 1916, known as the Federal Farm Loan Act, as amended, shall advertise or represent that it makes Federal farm loans or advertise of offer for sale as Federal farm loan bonds any bond not issued under the provisions of the Federal Farm Loan Act, or make use of the word "Federal" or the words "United States" or any other word or words implying Government ownership, obligation, or supervision in advertising or offering for sale any bond, note, mortgage, or other security not issued by the Government of the United States or under the provisions of the said Federal Farm Loan Act or some other Act of Congress.

Sec. 2. That no bank, banking association, trust company, corporation, association, firm, partnership, or person engaged in the banking, loan, building and loan, brokerage, factorage, insurance, indemnity, or trust business shall use the word "Federal," the words "United States," or the word "reserve" or any combination of such words, as a portion of its corporate, firm, or trade name or title or of the name under which it does business: Provided, however, That the provisions of this section shall not apply to the Federal Reserve Board, the Federal Farm Loan Board, the Federal Trade Commission, or any other department, bureau, or independent establishment of the Government of the United States, nor to any Federal reserve bank, Federal land bank, or Federal reserve agent, nor to the Federal Advisory Council, nor to any corporation organized under the laws of the United States, nor to any bank, banking association, trust company, corporation, association, firm, partnership, or person actually engaged in business under such name or title prior to the passage of this Act.

Sec. 3. That no bank, banking association, or trust company which is not a member of the Federal Reserve system shall advertise or represent in any way that it is a member of such system or publish or display any sign, symbol, or advertisement reasonably calculated to convey the impression that it is a member of such system.

Sec. 4. That any bank, banking association, trust company, corporation, association, firm, or partnership violating any of the provisions of this Act shall be guilty of a misdemeanor and shall be subject to a fine of not exceeding \$1,000. Any person violating any of the provisions of this Act, or any officer of any bank, banking association, trust company, corporation, or association, or member of any firm or partnership violating any of the provisions of this Act who participates in, or knowingly acquiesces in, such violations shall be guilty

of a misdemeanor and shall be subject to a fine of not exceeding \$1,000 or imprisonment not exceeding one year, or both. Any such illegal use of such word or words, or any combination of such words, or any other violation of any of the provisions of this Act, may be enjoined by the United States district court having jurisdiction, at the instance of any United States district attorney, any Federal land bank, joint-stock land bank, Federal reserve bank, or the Federal Farm Loan Board or the Federal Reserve Board.

Sec. 5. That if any clause, sentence, paragraph, or part of this Act shall for any reason be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder of this Act, but shall be confined in its operation to the clause, sentence, paragraph or part thereof directly involved in the controversy in which such judgment shall have been rendered.

Approved, May 24, 1926.