

X-7547

(INTERPRETATION OF BANKING ACT OF 1933)

Copies to be sent to all Federal Reserve Banks.

August 8, 1933.

Mr. C. S. Young,
Assistant Federal Reserve Agent,
Federal Reserve Bank of Chicago,
Chicago, Illinois.

Dear Sir:

Receipt is acknowledged of your letter of July 18, 1933, inclosing copy of a letter from Mr. _____, President of the _____ Bank of _____, under date of July 17, 1933. Mr. _____ desires to know whether the _____ Company is an "affiliate" of the _____ Bank, and whether the _____ Bank will be required to obtain and publish a report of condition of the _____ Company.

Mr. _____ states that in December of 1932, the _____ Bank "took the stock of the _____ Company and we now carry it on our books at \$1." If this means that the _____ Bank acquired ownership of, and now owns or controls, all or a majority of this stock, it would appear that the _____ company is a corporation of which a member bank owns or controls a majority of the voting shares, and that such company is an affiliate of the member bank within the meaning of section 2(b) of the Banking Act of 1933. In such circumstances, it would appear that the _____ Bank is required to obtain a report of such company, and to publish such report under the same conditions as govern its own condition reports.

Mr. C. S. Young

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As you know, section 9 of the Federal Reserve Act, as amended by section 5(c) of the Banking Act of 1933, is mandatory in its terms, and the Board has no authority to waive the requirement of that section that each State member bank shall publish the reports of its affiliates under the same conditions as govern its own condition reports. However, it is unnecessary for a member bank to publish any such report unless and until it is required to publish its own condition report.

The statement of the _____ Company inclosed in your letter fails to state specifically the character of its business and its relations with the _____ Bank of _____; and you are requested to obtain and forward to the Board another statement furnishing this information specifically in the space provided for that purpose on the Board's form 220a.

Very truly yours,

Chester Morrill,
Secretary.