

(INTERPRETATION OF BANKING ACT OF 1933)

Copies to be sent to all Federal reserve banks.

September 11, 1933.

Mr. Frederic M. Curtiss, Chairman,  
Board of Directors,  
Federal Reserve Bank of Boston,  
Boston, Massachusetts.

Dear Mr. Curtiss:

Reference is made to your letter of July 10, 1933, "Inquiry No. 24, Supplementing Inquiry No. 17", in which you state that a nonmember banking institution which has applied for membership in the Federal Reserve System desires to be informed, before completing arrangements for membership, whether Section 8A of the Clayton Act, as amended, prohibits an interlocking directorate between a State member bank and a manufacturing corporation which occasionally makes loans to its employees, secured by its own stock, for the purpose of enabling such employees to become stockholders in the corporation.

As you point out, the answer to this question depends on two other questions: (a) does the phrase "organized or operating under the laws of the United States" apply to State member banks, and (b) does the phrase "corporation \* \* \* organized for any purpose whatsoever" apply to the manufacturing corporation.

Under date of September 10, 1917, the Acting Attorney General of the United States rendered an opinion with respect to Section 8 of the Clayton Act in which he held that the phrase "organized or operating under the laws of the United States" does not include State banks which are members of the Federal Reserve System. The Federal Reserve

Mr. Frederic M. Curtiss

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Board has decided that the reasoning of the opinion is equally applicable to that phrase as used in Section 8A of the Clayton Act.

Since Section 8A is not applicable to State member banks, it becomes unnecessary to answer the other question which you ask.

Very truly yours,

(Signed) Chester Morrill,

Chester Morrill,  
Secretary.