

INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal reserve banks)

October 30, 1933.

_____, _____,
_____, _____,
_____, _____.

Gentlemen:

Your letter of September 13, 1933, addressed to the Comptroller of the Currency has been referred to the Federal Reserve Board.

You ask, first, whether section 32 of the Banking Act of 1933 is applicable to certain directors of the _____ Bank and Trust Company of _____ who are members of the _____ Stock Exchange. That section is applicable to the service of an officer or director of a member bank as "an officer, director, or manager of any corporation, partnership, or unincorporated association" engaged primarily in buying, selling, or negotiating securities. Since the statute refers only to an "officer, director or manager" of the organizations of the kind referred to, the mere fact that the directors to whom you refer are members of the _____ Stock Exchange would not make that section applicable to them.

You also ask whether that section is applicable to directors of that bank who are partners in firms which do a _____ stock exchange business. It appears that the word "manager" in the provision quoted above includes any person who manages, controls, or directs the business of an organization engaged primarily in purchasing, selling or negotiating securities, or who participates in such management or control, either at the main office or at a branch office, branch, etc., of such organization, and therefore includes any general partner in a partnership principally engaged in such business; and this conclusion is strengthened by the reference to

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"partnership" in the words immediately following the words "officer, director or manager". However, it also appears that the provision in question is inapplicable to an inactive partner in such a partnership who has no voice in the management or control of its business and whose liability is limited to the amount of his contribution to the partnership.

You also ask whether that section is applicable to directors of that bank who are employed by or associated with a _____ stock exchange firm. Section 32 does not contain a reference to "employees", and unless the persons to whom you refer may properly be classed as "directors", "officers", or "managers" of the _____ stock exchange firms, the provisions of section 32 would not be applicable to them.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.