

## INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal reserve banks)

November 2, 1933.

Mr. \_\_\_\_\_, Vice President,  
\_\_\_\_\_ National Bank,  
\_\_\_\_\_, \_\_\_\_\_.

Dear Sir:

Reference is made to your letter of July 5, 1933, in which you state that your bank's branches in \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_ accept accounts and act as correspondents for corporations and partnerships engaged primarily in the business of purchasing, selling or negotiating securities, and that such branches, at the request of such clients, direct to you orders for the purchase and sale of securities in this country. You inquire whether the provisions of Section 32 of the Banking Act of 1933 prohibit such functions. You comment that your branches are in competition with other institutions located in those cities which extend similar facilities to their clients.

Section 32 contains no exception applicable to foreign branches of national banks. It is true, as you say, that other institutions located in the cities in which your branches are located extend such facilities to their clients and will not be prevented from so doing by the provisions of the Banking Act of 1933. The same, however, is true of banking institutions in this country which are not member banks of the Federal Reserve System, since such banks are not affected by that section. Furthermore, since the section in question is concerned with the effect which certain types of relationships may have upon member banks, the fact

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that the dealers in securities are located in foreign cities would not seem to have any conclusive bearing upon the applicability of the section to relationships with them.

However, it is not entirely clear from your letter whether the relationships to which you refer are such as to make your bank and its branches a correspondent bank within the meaning of Section 32.

The Federal Reserve Board is authorized, under certain conditions, to grant permits covering relationships otherwise prohibited by this section. The Federal Reserve Board has recently issued its Regulation R in this connection and a mimeographed copy is inclosed for your information. Your particular attention is directed to the definition of the term "correspondent bank" in Section II of the inclosed Regulation.

In the event that you feel that a permit may be necessary, it is suggested that you consult with the Federal Reserve Agent at the Federal Reserve Bank of \_\_\_\_\_, who will be in a position to advise you further as to the necessity for obtaining permits and as to the procedure to be followed in applying for such permits.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,  
Secretary.

Inclosure.