

K-7788

## INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal reserve banks)

February 6, 1934.

Messrs. \_\_\_\_\_,  
 \_\_\_\_\_,  
 \_\_\_\_\_,  
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Gentlemen:

I regret that the pressure of other matters of importance arising under the Banking Act of 1933 has prevented the Board from making an earlier reply to your letter of August 2, 1933, in which you request an interpretation of Section 23A of the Federal Reserve Act as amended.

You call attention to the fact that, while this section places restrictions upon the making of loans and extensions of credit by a member bank to any of its affiliates and investments in the stock of such affiliates, it is provided that the provisions of the section shall not apply to certain classes of affiliates, including those in the capital stock of which a national banking association is authorized to invest pursuant to Section 25 of the Federal Reserve Act as amended; and you request to be advised whether this exception should be construed as extending to the subsidiary corporations of such an affiliate. In your particular case, you state that a bank has been organized under the laws of a foreign country; that all the stock of such bank, except shares held by directors, is owned by a Connecticut corporation which is purely a holding company; and that

this holding company is controlled by a banking corporation which is an affiliate of a member bank of the type expressly excepted by the above-mentioned provision of Section 23A of the Federal Reserve Act.

The provisions of Section 23A of the Federal Reserve Act do not apply to any affiliate "in the capital stock of which a national banking association is authorized to invest pursuant to Section 25 of the Federal Reserve Act, as amended". It is understood that the corporations concerning which you inquire are not corporations in the capital stock of which a national banking association is authorized to invest pursuant to Section 25 of the Federal Reserve Act; and it is the view of the Federal Reserve Board that there is no proper basis for an interpretation of the statute under which they would be considered to be such corporations merely by reason of the fact that they are subsidiaries of a corporation in which national banks are authorized to invest pursuant to the said Section 25.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,  
Secretary.