

X-7811

INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal reserve banks.)

March 7, 1934.

Mr. _____

Dear Sir:

The Federal Reserve Board has given further consideration to your application under Section 32 of the Banking Act of 1933 for a permit to serve at the same time as a director of the _____ Bank Trust Company, _____, a member bank, and as a partner in the firm of _____, a dealer in securities, in the light of advice received through the Federal Reserve Agent at the Federal Reserve Bank of _____ that the arrangement under which the bank participated with the firm in accounts formed to bid for State, county and municipal securities, has been terminated.

After the most careful study, the Federal Reserve Board has reached the conclusion that it was the intent of the Congress in enacting Section 32 to terminate all relationships of certain types between member banks and dealers in securities, apparently because it felt that such relationships might tend to influence the banks' credit and investment policies and their advice to their correspondent banks and other customers respecting investments in a manner which the Congress deemed to be incompatible with the public interest. The Board accordingly feels that it may not properly grant permits authorizing relationships which are actually of the kind referred to in

-2-

X-7811

that section, and that its authority to issue permits should be exercised only in exceptional cases; for example, those which are included within the literal terms of the statute but which are actually of a kind different from those at which its provisions were directed.

It appears that _____ is engaged primarily in the underwriting, flotation and distribution of securities, and that therefore the relationship covered by your application is within the class which that section was designed to terminate. Accordingly, the Board is unable to find that it would not be incompatible with the public interest as declared by the Congress to grant your application, even though nothing has been called to its attention which would reflect in any degree upon your desirability as a director of the bank, except that the relationship covered by your application is within the prohibitions of Section 32.

Copies of this letter are being sent to _____ and _____ Bank Trust Company for their information and records.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.