

X-7834

## INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal reserve banks)

March 27, 1934.

Mr. J. H. Case,  
Federal Reserve Agent,  
Federal Reserve Bank of New York,  
New York, New York.

Dear Mr. Case:

In your letter of November 15, 1933, in which you in-  
close a copy of a letter from Messrs. \_\_\_\_\_, the question is  
raised whether Section 32 of the Banking Act of 1933 is applicable  
to certain officers and directors of the Bank of \_\_\_\_\_ who are  
also directors of various New York bond and mortgage companies which  
are now in the hands of the State Superintendent of Insurance. It  
appears that, under the provisions of the New York statute, the di-  
rectors of the bond and mortgage companies are enjoined by court  
orders from interfering in any manner in the management of the com-  
panies which are in the hands of the Superintendent as Rehabilitator.  
Messrs. \_\_\_\_\_ suggest that, although the directors in question  
still bear the title of their office, they should not be regarded as  
"officers, directors or managers" within the meaning of Section 32.

The Board is of the opinion that the words quoted have  
reference to persons who manage, direct, or control the affairs of a  
corporation or who have authority to do so, and that, if a person  
bearing the title of director has been deprived by law or by court  
order of all power of control and management, the section is not

applicable to him.

However, the Board has not been furnished with sufficient information regarding the practical effect of the statutory provisions and court orders referred to by Messrs. \_\_\_\_\_ to be able to decide definitely whether Section 32 is still applicable to the directors in question. Possibly, the preceding discussion will enable you to answer the question raised; but, if you desire a definite ruling, it would be appreciated if you would submit the matter to the Board with such additional information and comments as the counsel for your bank may deem necessary in the light of this letter.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill  
Secretary