

INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal reserve banks)

April 30, 1934.

Dear Sir:

The Federal Reserve Board has given careful consideration to your application under the Clayton Act for a permit to be at the same time a member of the firm of _____ Company, _____, and a director of the _____ National Bank of _____.

The Federal Reserve Board has reached the conclusion that it was the purpose of Section 8A of the Clayton Act to prevent the undue use of bank credit for the carrying of and trading in securities, and that the method by which the section was intended to accomplish this purpose was by terminating relationships involving the service of an officer, director, employee, or partner of an organization making loans secured by stock or bond collateral as a director, officer or employee of a national bank or other bank or trust company organized or operating under the laws of the United States. Since margin accounts, and the brokers' loans by which they are financed, constitute one of the principal ways in which credit is used for carrying or trading in securities, it appears that the service of a director, officer, employee or partner of a stock exchange firm carrying such margin accounts as a

director, officer or employee of a national bank is one of the principal types of relationships at which the provisions of Section 8A were directed.

It appears that the carrying of such margin accounts constitutes a substantial portion of the business of _____ Company, 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 be not incompatible with the public interest as declared by the Congress to grant your application.

It may be noted that the Federal Reserve Board would not be authorized to grant your application in any event unless _____ Company may properly be considered as a firm of private bankers within the meaning of the provisions of Section 8 of the Clayton Act. The Board has not attempted to pass definitely upon this phase of the matter but on the basis of the information which has been submitted it does not appear that _____ Company may properly be considered as a firm of private bankers within the meaning of those provisions.

In the event that you desire to submit further facts or arguments in support of your application, the Board is prepared to give them careful consideration. However, any such additional facts or arguments should be submitted as promptly as possible, in writing, through the Federal Reserve Agent.

Very truly yours,
(Signed) Chester Morrill
Chester Morrill,
Secretary.