

INTERPREATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal Reserve Banks)

May 8, 1934

Mr. W. S. Johns,
Acting Governor,
Federal Reserve Bank of Atlanta,
Atlanta, Georgia.

Dear Mr. Johns:

Receipt is acknowledged of your letter of April 30, 1934, in which you request to be advised whether, in view of the provisions of section VII of Regulation M, it is necessary for a Federal reserve bank to obtain the approval of the Federal Reserve Board to purchase or sell debentures of Federal Intermediate Credit Banks when the transaction is not one for the purpose of affording relief in a situation involving specific banking institutions in its district.

The question whether the Board's approval is necessary under paragraph 5 of section VII of Regulation M with respect to the purchase or sale of debentures of Federal Intermediate Credit Banks by a Federal reserve bank should be determined by the circumstances existing at the time a particular transaction takes place and will depend upon the amount involved, general credit conditions, the purpose of the transaction and other factors. The Federal Reserve Board will offer no objection to such a purchase or sale by a Federal reserve bank in reasonable amounts, although the approval of the Federal Reserve Board is not first obtained, if the transaction is one which arises in the ordinary course of business, which is not engaged in for the purpose of affecting general credit conditions,

Mr. W. S. Johns - 2.

and which may not have a material effect upon general credit conditions. Attention is invited to the fact that all such transactions, whether or not the Board's approval is required, must be reported daily to the Federal Reserve Board under the requirement of paragraph 1 of section VII of Regulation M.

Very truly yours,

(Signed) Chester Morrill
Chester Morrill,
Secretary.

GBV/sad