

X-7959

INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal Reserve Banks)

July 6, 1934.

Mr. W. W. Hoxton,
Federal Reserve Agent,
Federal Reserve Bank of Richmond,
Richmond, Virginia.

Dear Mr. Hoxton:

This refers to your letter of March 13, 1934, making certain inquiries with regard to the procedure you should follow in reporting possible violations of the provisions of Section 22(g) of the Federal Reserve Act.

With reference to loans or extensions of credit made to its own executive officers by a State member bank in your district, you should, as indicated in your letter, proceed in accordance with the provisions of the Board's circular letter of July 22, 1933, (X-7518).

In cases where it appears from information which has come to your attention through reports of examination or other official sources that a State member bank or a national bank in your district has made a loan to an executive officer of another State member bank in your district or has permitted that officer to become indebted to it within the purview of Section 22(g) of the Federal Reserve Act, you should ascertain whether the particular executive officer has filed with the chairman of the board of directors of

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his bank a report of the kind required by Section 22(g) of the Federal Reserve Act. If such a report has not been furnished, you should report the matter in the usual manner to the Board and the local United States Attorney as a possible violation of Section 22(g). It is suggested that you consider the advisability of obtaining through your examiners the required information as to whether a loan to an executive officer which comes to the attention of your office has been reported to the chairman of the board of directors of the member bank of which he is an executive officer, either at the time of the next examination of the member bank by which the executive officer is employed or by correspondence in connection with the examination of the bank making the loan.

Where it appears from such information that an executive officer of a State member bank in another Federal reserve district has obtained a loan or extension of credit from a State member bank or a national bank in your district, you should bring to the attention of the Federal Reserve Agent for that district such facts as you may have in your possession regarding the transaction in question and that Federal Reserve Agent should thereupon proceed in accordance with the procedure above set forth.

However, where you have been advised that executive officers of a national bank in your district have borrowed from or have become indebted to a State member bank in the same or another Federal

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reserve district, the Board is of the opinion that it is only necessary for you to report such details of the transaction as you may have to the chief national bank examiner for your district for such action as he considers advisable. In this connection, your attention is directed also to the Board's letter of February 8, 1928, (X-5072).

The Board appreciates that there may be cases in which executive officers of State member banks will borrow from non-member banks and that, except with the cooperation of the State banking authorities, information regarding such cases would not be available to you. Accordingly, it is suggested that, if you have not already done so, you acquaint the State banking authorities in your district with the provisions of Section 22(g) of the Federal Reserve Act and request that, if it is feasible to do so, they furnish you from time to time with any information they may have readily available regarding loans by non-member banks to executive officers of State member banks. If the State authorities do not feel that they can furnish you with such information they may be willing to take the matter up in each case with the State member bank involved.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.