

## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-9052

December 20, 1934.

Dear Sir:

The Board's letter of April 29, 1933, X-7425, on the subject of indebtedness of officers and employees, stated that there should be a prompt report to the Board of any indebtedness of the kind referred to in the letter incurred by the Federal reserve agent or any member of his staff after July 1, 1933, and such report should contain information similar to that called for in the Board's letter with respect to indebtedness outstanding on that date.

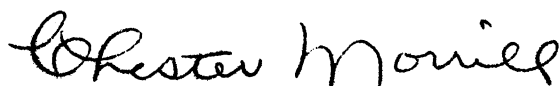
It was suggested by the Board in correspondence with some of the Federal reserve agents during the past year that they report to the Board, as incurred, indebtedness created by members of the staff of the agent's department and that a report be submitted as of January 1 and July 1 of each year with regard to the progress being made in the liquidation of the indebtedness previously reported.

Further consideration has been given to this matter, and it will be sufficient for the Board's purposes if in the future a report is received from you as of January 1 and July 1 of each year giving the information requested in the second paragraph of the Board's letter of April 29, 1933, regarding the indebtedness

incurred by the Federal reserve agent and the members of his staff during the preceding six months (excluding current bills for ordinary personal or household expenses but including other indebtedness incurred during the six months' period), and containing a statement, in connection with the existing indebtedness of each individual, of the program for the liquidation of such indebtedness. It will be appreciated if you will arrange to submit reports as of January 1 and July 1 of each year to the Board in accordance with this procedure.

A copy of the Board's letter of April 29, 1933, is attached.

Very truly yours,



Chester Morrill,  
Secretary.

Inclosure.

TO ALL FEDERAL RESERVE AGENTS

## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-7425

April 29, 1933.

SUBJECT: Indebtedness of Officers and Employees.

Dear Sir:

Because of the special relationship that exists with member banks and the high responsibility resting upon the Federal reserve banks in connection therewith, the Board feels that it is especially important that the Federal Reserve Agents and their assistants, including the members of their staffs engaged in audits and examinations, should refrain from incurring any indebtedness, directly or indirectly, to member banks, their subsidiaries or affiliates, or otherwise placing themselves in any position which may result in questions being raised as to the independence of their judgment or their disinterestedness in the discharge of their responsibilities with respect to such banks under the Federal Reserve Act. Furthermore, in order to avoid the possibility of embarrassment in connection with the performance of their official duties, it is the view of the Board that they should refrain from incurring any indebtedness to others except for legitimate and necessary purposes, and that, whenever any indebtedness is incurred by them (excluding, of course,

current bills for ordinary personal and household expenses, but not excluding indebtedness incurred to others to obtain funds for payment of such bills), there should be prompt disclosure of all the facts to the Federal Reserve Board.

The Board desires that each Federal Reserve Agent prepare and transmit to it as promptly as possible after July 1, 1933, a report showing as of that date any indebtedness of the agent and members of his staff (excluding, of course, current bills for ordinary personal and household expenses, but not excluding indebtedness incurred to others to obtain funds for payment of such bills). The report should set forth the name of the person, firm, corporation, or institution to which the indebtedness is due, the date on which it was originally incurred (indicating whether before or after such officer or employee entered the service), the maturity of the indebtedness, the unpaid balance, a description of the security therefor, if any, a brief statement of the purpose for which the indebtedness was incurred and the progress being made in liquidating it, and any comment that the Agent may wish to make in connection therewith. In addition, there should be a prompt report to the Federal Reserve Board of any indebtedness of the kind referred to incurred by the Agent or any member of his staff after July 1, 1933, and such report should contain information similar to that called for above with respect to indebtedness outstanding on that date.

The Board believes that the directors of the Federal reserve banks will feel that the same general principles should be applied to the members of the staffs of the Federal reserve banks, particularly the officers, the heads of departments, and other employees occupying

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responsible positions, except that the reports mentioned would be made to the Boards of Directors instead of to the Federal Reserve Board. It requests, therefore, that this letter be brought to the attention of the Board of Directors of each bank, with the suggestion that they consider the advisability of adopting these principles if they have not already been established, of taking appropriate steps to obtain from such officers and employees information similar to that called for with respect to the Federal Reserve Agents and the members of their staffs, and of requiring all such officers and employees promptly to report to the Board of Directors any indebtedness of the kind referred to that may thereafter be incurred.

In this connection, the Board desires to call attention to its circular letter of May 7, 1924 (X-4048) which contains the following statement:

" \* \* \* the Federal Reserve Board believes it will be as obvious to the directors of the Federal reserve banks as it is to itself that the good conduct and repute of the Federal Reserve System require that the officers of the reserve banks shall give their entire time and attention to the affairs of the banks and not be identified with any outside business interests."

The Board feels confident that the directors of the Federal reserve banks will recognize the importance of strict conformity with the principles set forth in that letter. While it refers particularly to the officers of Federal reserve banks, it is equally applicable to heads of departments and employees occupying responsible positions in the banks, as well as to the Federal reserve agents and the members of their staffs. If any of them has any connection with a business concern of any kind, the Board requests that it be promptly advised with respect thereto.

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The Board will be pleased to have an acknowledgment of the receipt of this letter, together with a statement of the action that has been or will be taken in regard to these matters.

Very truly yours,

Chester Morrill,  
Secretary.

TO AGENTS OF ALL F. R. BANKS.