

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

X-9312

September 9, 1935.

Dear Sir:

Under the terms of an amendment to Section 21 of the Federal Reserve Act the Board of Governors of the Federal Reserve System and the Comptroller of the Currency are authorized to waive the requirement for the submission of reports of affiliates of State member banks and National banks, respectively, where such reports are not necessary to disclose fully the relations between the bank and the affiliate and the effect thereof upon the affairs of the bank. Pursuant to this authorization the Board has adopted the following terms of waiver.

Pursuant to Section 21 of the Federal Reserve Act, as amended, the Board of Governors of the Federal Reserve System waives the requirement for the submission of reports of affiliates (other than of holding company affiliates, as defined in section 2 (c) of the Banking Act of 1933, as amended) of State bank members of the Federal Reserve System, except:

- a. Where the affiliation exists by reason of control by the member bank as defined in Section 2(b)(1) of the Banking Act of 1933, as amended, which provision reads as follows:

"Except where otherwise specifically provided, the term 'affiliate' shall include any corporation, business trust, association, or other similar organization--

"Of which a member bank, directly or indirectly, owns or controls either a majority of the

voting shares or more than 50 per centum of the number of shares voted for the election of its directors, trustees, or other persons exercising similar functions at the preceding election, or controls in any manner the election of a majority of its directors, trustees, or other persons exercising similar functions."

- b. Where the affiliate has been indebted to the member bank for more than six months in the twelve months preceding the report date in an amount in excess of 1 percent of the bank's unimpaired capital and surplus or \$5,000, whichever amount is the smaller, regardless of whether the affiliate is so indebted on the report date.
- c. Where the affiliate on the report date is indebted to the member bank or the member bank owns obligations of or an interest in said affiliate on said date and the aggregate amount of such indebtedness, obligations, and interest is in excess of 1 percent of the member bank's unimpaired capital and surplus or \$5,000, whichever amount is the smaller.

The Board of Governors of the Federal Reserve System also waives the requirement for the submission of reports of affiliates in all cases where the affiliate relationship is based solely on ownership or control of any voting shares of the affiliate by a member bank as executor, administrator, trustee, receiver, agent, depository, or in any other fiduciary capacity, except where such shares are held for the benefit of all or a majority of the stockholders of such member banks.

The above provisions with respect to the waiving of the requirements for submission of reports of affiliates are subject to change whenever deemed advisable by the Board of Governors of the Federal Reserve System in order to require the submission of reports which are necessary to disclose fully relations between member banks and their affiliates and the effect thereof upon the affairs of member banks.

The foregoing terms of waiver do not apply to reports of holding company affiliates, which, under the terms of the law, must in all cases be submitted. As the term "holding company affiliate", under Section 2 (c) of the Banking Act of 1933, as amended by Section 301 of the

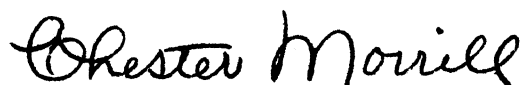
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Banking Act of 1935, does not include organizations which have been determined by the Board of Governors of the Federal Reserve System not to be engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies, reports of such organizations, of course, do not have to be submitted.

The above terms will be set forth in the printed instructions which will go out at the time of the next call for reports of State member banks and their affiliates. In the meantime, it is suggested that you inform the State member banks in your district of the terms of waiver. The Comptroller of the Currency is advising all National banks to the same effect.

Very truly yours,

A handwritten signature in cursive script that reads "Chester Morrill".

Chester Morrill,
Secretary.

TO ALL FEDERAL RESERVE AGENTS