

INTERPRETATIONBANKING ACT OF 1935

(Copies to be sent to all Federal reserve banks)

September 25, 1935

Mr. Eugene M. Stevens,
Federal Reserve Agent,
Federal Reserve Bank of Chicago,
Chicago, Illinois.

Dear Mr. Stevens:

This refers to your letter of September 17, 1935, relating to section 301 of the Banking Act of 1935 and to the Board's telegram of September 16, 1935 (Trans. 2305) outlining the procedure to be followed in those cases in which a determination by the Board pursuant to such section is desired.

The Board is of the opinion that section 301 of the Banking Act of 1935 does not affect the holding company affiliate status of an organization until the Board determines that such organization is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies. That section does not exclude from the definition of the term "holding company affiliate" (for all purposes other than section 23A of the Federal Reserve Act) all organizations which are not engaged, directly or indirectly, as a business in holding the stock of banks, banking associations, savings banks, or trust companies. Instead, it excludes such organizations as the Board shall determine not to be

so engaged and it appears clear that there must be a determination by the Board with reference to each such organization.

Accordingly, the procedure outlined in the above-mentioned telegram should be followed in any case in which a holding company affiliate desires to take advantage of the provisions of section 301 of the Banking Act of 1935 and does not have a voting permit application pending before the Board. The information accompanying a request for a determination by the Board should include the following items in addition to any other facts which you or the holding company affiliates may deem pertinent:

(1) A statement showing the purpose for which the holding company affiliate was organized and the nature and purpose of its present activities.

(2) A current financial statement of the holding company affiliate showing the nature and value of the various classes of assets owned by it.

(3) A statement giving the name and address of each subsidiary of, or other organization affiliated with, the holding company affiliate and showing the nature of the relationship and the character of the business or other activities of each such organization.

(4) A detailed list of all bank stocks owned or controlled, directly or indirectly, by the holding company affiliate, showing the number and value of the shares owned or controlled of each bank, the total number of outstanding shares of each bank, and the manner in and purpose for which such stock, or control thereof, was acquired and is held.

Of course, a request for determination should not be forwarded to the Board unless, in the opinion of your counsel, the organization involved is a holding company affiliate under the

provisions of section 2(c)(1) or 2(c)(2) of the Banking Act of 1933 or would be such upon the admission of a bank which has filed, or contemplates filing, an application for membership in the Federal Reserve System. Moreover, it is trusted that you will be able to dispose of any cases in which it is obvious to you and your counsel that the organizations involved are engaged, directly or indirectly, in holding stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies.

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,
Assistant Secretary.