

X-9431

INTERPRETATIONBANKING ACT OF 1935

(Copies to be sent to all Federal reserve banks)

January 6, 1936.

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

Dear Mr. Stevens:

This refers to your letter of December 10, 1935, inclosing a copy of a letter from the \_\_\_\_\_ National Bank of \_\_\_\_\_, \_\_\_\_\_. It appears that one of the directors of that bank, as provided in its by-laws, is required to serve as vice president; that the officer in question serves entirely without compensation, and is entirely inactive in the management of the bank, except as a director. You point out that this case is indicative of the various difficulties which some of the banks are going to have in complying with the Board's Regulation O if inactive vice presidents are included within the definition as contained in subsection (b) of section 1 of the Board's Regulation O.

On the basis of the tentative draft of Regulation O which was forwarded to the Federal Reserve banks for suggestions and criticisms, the Board received a number of suggestions to the effect that inactive officers of member banks not be considered executive officers thereof for the purposes of section 22(g) of the Federal Reserve Act. At the time of its final action in promulgating Regulation O, the

Board discussed these suggestions and gave careful consideration to the question whether it should exempt all inactive officers from its definition of the term "executive officer". However, since Congress made no distinction in section 22(g) between active and inactive officers, the Board did not feel that it should exclude inactive or honorary executive officers in defining the term "executive officer" pursuant to the authority vested in the Board by the law. Furthermore, a vice president of a member bank, although actually inactive in the management of the bank, nevertheless is in a position to exercise actively the duties of his office should occasion arise.

The President of the \_\_\_\_\_ National Bank of \_\_\_\_\_ has stated that, as directed by the office of the Comptroller of the Currency, the by-laws of the bank require that a vice president of the bank shall be a member of the board of directors and that the vice president in question consented to assume that office to meet the requirements of the by-laws. In these circumstances, the bank may wish to give consideration to whether it should take up with the office of the Comptroller of the Currency the question whether there would be any objection to eliminating from its by-laws the requirement that a vice president of the bank shall be a member of the board of directors.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,  
Secretary.