

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON



July 22, 1936

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

Dear Sir:

There is attached, for the information of your bank, a copy of a letter to the Vice President of a national bank in the Cleveland district with respect to the question whether an executive officer of a member bank who gives his note to a commercial house which later discounts it with another bank is required to report such indebtedness to the board of directors of the bank of which he is an executive officer.

Very truly yours,

A handwritten signature in cursive script, appearing to read "S. R. Carpenter".

S. R. Carpenter,  
Assistant Secretary.

Inclosure.

TO ALL PRESIDENTS.

X-9659-a

July 21, 1936.

Mr. \_\_\_\_\_, Vice President,  
The \_\_\_\_\_ National Bank,  
\_\_\_\_\_.

Dear Sir:

This refers to your letter of July 1, 1936, inquiring whether an executive officer of a member bank who gives his note to a commercial house which later discounts it with another bank is required under Regulation O to report such indebtedness to the board of directors of the member bank of which he is an executive officer.

Section 1(c) of Regulation O defines the terms "loan", "loaning", "extension of credit", and "extend credit" to include "the acquisition by discount, purchase, exchange, or otherwise of any note, draft, bill of exchange or other evidence of indebtedness upon which an executive officer may be liable as maker, drawer, indorser, guarantor, or surety", and contains certain exceptions which do not appear to be applicable to the question under consideration. Section 5 of such regulation provides, in substance, that if an executive officer of a member bank becomes indebted to any bank other than the member bank of which he is an executive officer he shall make a written report of such indebtedness to his board of directors. Therefore, when an obligation of an executive officer is acquired by another bank in the manner described in your letter he thereupon becomes indebted to such bank within the meaning of the Board's Regulation O and such indebtedness is required to be reported as provided in section

- 2 -

X-9659-a

5 of such regulation.

The Board realizes, of course, in the case of obligations of executive officers of member banks given to others than banks, that the executive officer involved will not always know when his obligation has been acquired by another bank. However, when the executive officer becomes aware of such fact, he should make a written report of such indebtedness as required in section 5 of the Board's Regulation O.

A copy of Regulation O is inclosed.

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,  
Assistant Secretary.

Inclosure.