

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON



December 22, 1937.

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

Dear Sir:

The Board of Governors has amended the terms of waiver applicable to reports of affiliates of State bank members, printed on Form 220b, so as to make it unnecessary for such banks to submit and publish reports where the affiliate relationship is based solely on the fact that a majority of the affiliate's directors, trustees, or other persons exercising similar functions are directors of any one member bank, except where they constitute more than one-fourth of the directors of the member bank. The Board has also amended the terms of the waiver so as to permit any indebtedness of an affiliate to a member bank fully secured by direct obligations of the United States Government or by obligations fully guaranteed by the United States Government to be disregarded in determining whether or not the indebtedness of the affiliate to the member bank is in excess of the limitations prescribed in paragraphs (a) and (b) of the Board's waiver as now printed on Form 220b. A note for \$10,000 secured by \$5,000 par value of United States Government obligations should be regarded as fully secured to the extent of \$5,000 within the meaning of the above exemption. A copy of the amended terms of waiver is inclosed and a supply thereof is being sent you under separate cover.

The amended terms of waiver will become effective as of the date of the next call made upon State bank members for condition reports pursuant to the provisions of Section 9 of the Federal Reserve Act. It is suggested, therefore, that each State bank member be furnished with a copy of the new terms of waiver at the time that the next call for condition reports is made. The amendments have been underscored in the complete copy of the new terms of waiver, a supply of which is being sent to you.

The Board has been advised that the Comptroller's office has decided to adopt corresponding terms of waiver governing reports of affiliates of National banks, effective as of the next call made upon National banks for condition reports.

Very truly yours,

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

Chester Morrill,
Secretary.

Inclosure.

WAIVER REQUIREMENT FOR REPORTS OF AFFILIATES OF STATE BANK MEMBERS
OF THE FEDERAL RESERVE SYSTEM

(Adopted by the Board of Governors of the Federal Reserve System on December 21, 1937, effective as of the date of the next call for condition reports submitted by State bank members pursuant to the provisions of Section 9 of the Federal Reserve Act. These terms of waiver supersede those printed on "Form 220b, Revised February 1936".)

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) When indebtedness, if any, of the affiliate to the member bank had been carried for more than 6 months in the 12 months preceding the report date as an asset on the bank's books at a value in excess of \$5,000 or 1 percent of the bank's capital and surplus, whichever is the smaller, regardless of whether the affiliate is so indebted on the report date: Provided, that any indebtedness of the affiliate to the member bank fully secured by direct obligations of the United States Government or by obligations fully guaranteed by the United States Government may be disregarded in determining whether or not the indebtedness of the affiliate is in excess of the limitations prescribed herein.
- (b) When, on the report date, the affiliate is indebted to the member bank, or the member bank owns obligations of, or stock or other evidences of ownership in, the affiliate, and the aggregate amount of such indebtedness, obligations, stock, or other evidences of ownership is carried as an asset on the bank's books at a value in excess of \$5,000 or 1 percent of the member bank's capital and surplus, whichever is the smaller: Provided, that any indebtedness of the affiliate to the member bank fully secured by direct obligations of the United States Government or by obligations fully guaranteed by the United States Government may be disregarded in determining whether or not the indebtedness of the affiliate is in excess of the limitations prescribed herein.

The Board of Governors of the Federal Reserve System also waives the requirement for the submission of reports of affiliates in all cases (1) 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 bank, and (2) where the affiliate relationship is based solely on the fact that a majority of the affiliate's directors, trustees, or other persons exercising similar functions are directors of any one member bank, except where they constitute more than one-fourth of the directors of the member bank.

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.