

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal reserve banks)

May 20, 1938.

Mr. _____, Vice President,
Federal Reserve Bank of _____,
_____, _____.

Dear Mr. _____:

This refers to your letter of May 2, 1938, and inclosures, requesting a ruling of the Board as to whether the acquisition by the _____ National Bank and Trust Company of _____, _____, _____, as trustee, of an obligation of the President of such bank falls within the provisions of section 22(g) of the Federal Reserve Act and the Board's Regulation 0. In your supplemental letter of May 9, 1938, with regard to this question, you state that the President of the _____ National Bank and Trust Company of _____ gave his demand note dated November 14, 1930, in the amount of \$5,000, to an individual; that the payee of the note died on June 11, 1933; that the bank qualified as executor of the payee's estate on June 22, 1933; and that the bank became trustee of such estate on November 26, 1934, and is still serving in such capacity. You also state that such note has not been renewed or reduced since the original date.

It appears that the bank acquired the obligation of its executive officer as trustee subsequent to June 16, 1933, but prior to August 23, 1935, at which time the statute in question provided a criminal penalty for a violation thereof. Therefore, the question whether a violation of such section is involved would depend upon the provisions of such section prior to the amendment of August 23, 1935. As stated in the Board's letter of January 16, 1936 (X-9449), any such violation is still subject to the criminal penalties and the determination of such question is a matter within the jurisdiction of the Department of Justice. As you know, the Board does not undertake to express opinions on apparent violations of criminal statutes. For your information, however, if the bank had acquired the note as trustee in the manner stated above after August 23, 1935, the Board would not interpose an objection to the transaction.

The question whether, aside from the provisions of section 22(g) of the Federal Reserve Act and Regulation 0, the note has been properly retained as an asset of the trust depends upon factors of which we are not fully advised and this letter should not be considered an expression of opinion on this point.

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,
Assistant Secretary.