

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve banks)

May 27, 1938.

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

Dear Mr. _____:

This refers to your letter of May 12, 1938, and inclosure, inquiring whether the liability of an executive officer of a member bank for the payment of a mortgage loan made by the Federal Land Bank of Baltimore or a mortgage loan made by the Land Bank Commissioner, to another person, under the provisions of the Emergency Farm Mortgage Act of 1933, as amended, should be reported by such officer to his board of directors, as provided in section 22(g) of the Federal Reserve Act and the Board's Regulation O.

Under the provisions of the statutes creating and defining the powers of the Federal Land banks it is provided, among other things, that such banks may issue and sell farm loan bonds, make real estate loans secured by first mortgages, borrow money, and accept deposits of securities or of current funds of national farm loan associations. Such banks may also be designated by the Secretary of the Treasury as depositories of public money and may also be employed as fiscal agents of the Government. In this connection the Board has heretofore taken the position that a Federal Land bank is a "bank" within the meaning of section 8 of the Clayton Act. In the circumstances, it is the view of the Board that a Federal Land bank should properly be regarded as a "bank" within the meaning of that provision in section 22(g) of the Federal Reserve Act which requires an executive officer of a member bank to report his indebtedness "to any bank other than a member bank of which he is an executive officer."

While the Land Bank Commissioner has the power to make certain real estate loans, he does not have the power to accept deposits nor may he be designated as a depository of public money or as a fiscal agent of the Government. It would seem, therefore, that the Land Bank Commissioner is not a "bank" within the meaning of section 22(g).

Accordingly, an executive officer of a member bank who is indebted to a Federal Land bank is required to report such indebtedness to his board of directors in accordance with the provisions of section 5 of the Board's Regulation O; but an indebtedness of an executive officer to the Land Bank Commissioner need not be so reported.

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,
Assistant Secretary.