

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

For immediate release

June 26, 1939

CHANGE IN DEFINITION OF "EXECUTIVE OFFICER"

Effective July 1, 1939, the Board of Governors has amended the definition of the term "executive officer" contained in section 1(b) of its Regulation O, which relates to loans to executive officers of member banks, to read as follows:

"(b) The term 'executive officer' means every officer of a member bank who participates or has authority to participate in the operating management of the bank or any branch thereof otherwise than in the capacity of a director of the bank, regardless of whether he has an official title or whether his title contains a designation of assistant and regardless of whether he is serving without salary or other compensation. It will be assumed that the chairman of the board, the president, every vice president, the cashier, secretary, treasurer and trust officer of a member bank are executive officers, unless it is provided by resolution of the board of directors or the bank's by-laws that any such officer is not authorized to participate in the operating management of the bank and he does not actually participate therein."

Section 22(g) of the Federal Reserve Act, which restricts loans to "executive officers" and which is implemented by the Board's Regulation O, makes a distinction between "executive officers" and other officers. On reviewing this subject, the Board concluded that the regulation should be amended to give clearer recognition to this distinction and to the view that the question whether or not a person

is an "executive officer" does not depend upon the title which he has but upon the nature of his duties. As amended, the regulation would not apply to a person, regardless of his title, who has no authority to perform and actually does not perform the duties of an executive, especially in view of the fact that the law does not restrict loans to directors who are not also executive officers.

The Board also amended its Regulation O by changing the date in section 4(a) to "June 16, 1944". This amendment was made to conform to the change recently made in the law extending until June 16, 1944, the date to which loans made by member banks to their executive officers prior to June 16, 1933, may be renewed or extended.