

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-223
Sec. 5136 R.S.-16

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 11, 1940.



Dear Sir:

The Board of Governors recently received an inquiry with regard to the amount of obligations of the Commodity Credit Corporation, the Reconstruction Finance Corporation, the United States Housing Authority, and the Federal Intermediate Credit Banks which may be held by a member bank of the Federal Reserve System. The following is an excerpt from the Board's reply to the inquiry:

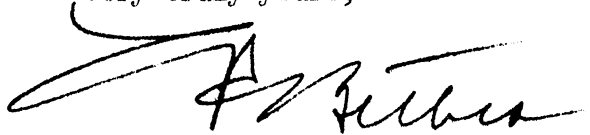
"As you know, under the provisions of the Federal Reserve Act, State member banks are subject to the same limitations and conditions with respect to the purchasing, selling, underwriting and holding of investment securities and stock as are applicable in case of national banks under section 5136 of the United States Revised Statutes. The latter section provides that the limitations and restrictions therein contained as to dealing in, underwriting and purchasing investment securities by a national bank for its own account shall not apply to obligations of the United States and certain other types of obligations specifically mentioned. We are advised by the office of the Comptroller of the Currency that obligations of the Commodity Credit Corporation, the Reconstruction Finance Corporation, and the United States Housing Authority in the form of investment securities which, in accordance with law, are unconditionally guaranteed as to principal and interest by the United States, are considered by the office of the Comptroller as 'exempted securities'. Accordingly, a national bank or a State member bank may purchase such obligations for its own account without regard to the limitations and restrictions of section 5136, United States Revised Statutes.

"Debentures of the Federal Intermediate Credit Banks are obligations issued under the authority of the

-2-

Federal Farm Loan Act, as amended, and therefore are also 'exempted securities' by reason of the specific provisions of section 5136, United States Revised Statutes."

Very truly yours,



L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS