

S-255
Reg. R-3

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

March 10, 1941

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

Dear Mr. _____:

Consideration has been given to your letter of February 11, 1941, and enclosures, relating to the question whether a director of a member bank may serve as a director of _____, an investment trust, in view of provisions of section 32 of the Banking Act of 1933. The specific question is whether _____ is so actively engaged in issuing its own shares as to be "primarily engaged" in the issue or distribution of securities within the meaning of the statute.

It is understood that _____ was incorporated in 1928. During the five years ending June 30, 1936, it issued 62,062 shares of its stock, and on the latter date a total of 88,059 of such shares was outstanding. Between that date and June 30, 1940, 283,359 more shares were sold, and at the end of 1940 the total number of shares outstanding was 403,093.

The shares are sold through independent organizations with the result that _____ does not derive any direct profit from such sales. However, you and your counsel are of the opinion that since _____ is actively engaged in the issue and distribution of its shares, the interlocking relationship is prohibited by section 32.

On the basis of the information submitted, the Board agrees with this conclusion.

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,
Assistant Secretary.