

S-413
Reg. O-44

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

December 23, 1941

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

Dear Mr. _____:

This refers to the report of examination of The _____ Bank, _____, _____, as of October 28, 1941, on page 21 of which it is stated that the executive officers of the bank have not filed with the board of directors statements of their existing indebtedness to other banks for the reason that "officers' loans from other banks existed at the time of admission to the System".

The Board has not heretofore ruled on this specific question, but has taken the position that the indebtedness of an executive officer to another bank incurred prior to the time he became an executive officer should be reported to the board of directors. Section 22(g) of the Federal Reserve Act provides in part that "If any executive officer of a member bank borrow from or if he be or become indebted to any bank other than a member bank of which he is an executive officer, he shall make a written report to the board of directors of the member bank". In view of this language, it is the opinion of the Board that the indebtedness of the executive officers of the bank in question should be reported to its board of directors, notwithstanding that the loans existed at the time of the admission of the bank to the Federal Reserve System.

We will leave it to your discretion as to whether you should take this matter up with the member bank prior to its next examination, but in any event the attention of your examiner should be called to the Board's position in this matter.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Assistant Secretary.