

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-439
Reg. P-19



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 19, 1942

Dear Sir:

The Board recently has had occasion to review carefully its interpretation of the provisions of section 2(c) of the Banking Act of 1933 which provide that a corporation, business trust, association, or other similar organization is a "holding company affiliate" if it owns or controls, directly or indirectly, "more than 50 per centum of the number of shares voted for the election of directors of any one bank at the preceding election".

Concluding that the position heretofore taken on the facts in certain particular cases was incorrect, the Board has ruled that an organization is a holding company affiliate of a member bank if the number of shares owned or controlled by the organization is equal to more than 50 per centum of the number voted at the preceding election of directors of the bank, regardless of whether the shares so owned or controlled were or were not voted.

This ruling will be published in the March issue of the Federal Reserve Bulletin. However, if there are organizations in your district which you believe may be affected, it would be desirable for you to bring it to their attention. In any such case, it is suggested that consideration be given to the question whether it might be in order for the Board to determine that the organization is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies, within the meaning of section 2(c), with the result that upon such determination it would not be a holding company affiliate for any purposes other than those of section 23A of the Federal Reserve Act.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

FOR VICTORY



BUY
UNITED
STATES
DEFENSE
BONDS
AND
STAMPS