

Supervisory policy

Conditions of membership of State member banks

Mr. Young referred to the standard conditions of membership of State member banks set forth in section 6 of the Board's Regulation H and to the practice of the Board of imposing special conditions of membership. He stated that in many cases member banks have been critical of the conditions of membership and he expressed the view that conditions of membership might be eliminated except in special cases. There was a diversity of opinion among the presidents regarding the desirability of the elimination of the standard conditions of membership, but general agreement that in the past some banks have been subjected to special conditions of membership many of which have little or no meaning at the present time. It was the view of the Conference that special conditions of membership of State member banks should be reviewed for the purpose of eliminating as many of them as possible. It was suggested that an endeavor should be made in this connection to obtain the agreement of the member bank to the standard conditions of membership (where they have not already been imposed) as an incident to the removal of these special conditions. It was recognized that special conditions are necessary and desirable in some cases but in general they are of a temporary character.

-----

Meeting between Board and Presidents, June 11

10. Conditions of Membership. The Conference reviewed past and present practices regarding the imposition of special and standard conditions upon the admission of State banks into membership in the Federal Reserve System. It was pointed out that in the past some banks have been subjected to numerous conditions of membership many of which have little or no meaning at present. It was the view of the Conference that special conditions of membership of State member banks should be reviewed for the purpose of eliminating as many of them as possible, and that an endeavor should be made in this connection to obtain the agreement of the member bank to standard conditions of membership (where they have not been imposed) as an incident to the removal of these special conditions. It was recognized that special conditions are necessary and desirable in some cases but in general they are of a temporary character.

Chairman Eccles stated that the Board agreed with the views of the presidents in this matter, that consideration is being given to the uniform conditions to be prescribed for all banks admitted to membership in the System in the future, and that the Board would review the special conditions that had been prescribed in the past with a view to their elimination as rapidly as possible so that in time the conditions of membership for all banks should be uniform.

Mr. Sproul responded that that was what the presidents had in mind.