October 7, 1918,
Bulletin No. 122.

TO THE MEMBER BANK ADDRESSED:

We are pleased to advise that Section 5200 of the Revised Statutes has recently been amended to read as follows:

"The total liabilities to any association, of any person, or of any company, corporation, or firm for money borrowed, including in the liabilities of a company or firm the liabilities of the several members thereof, shall at no time exceed 10 per centum of the amount of the capital stock of such association, actually paid in and unimpaired, and 10 per centum of its unimpaired surplus fund; Provided, however, That (1) the discount of bills of exchange drawn in good faith against actually existing values, (2) the discount of commercial or business paper actually owned by the person, company, corporation, or firm, negotiating the same, and (3) the purchase or discount of any note or notes secured by not less than a like face amount of bonds of the United States issued since April 24, 1917, or certificates of indebtedness of the United States, shall not be considered as money borrowed within the meaning of this section; but the total liabilities to any association of any person or of any company, corporation, or firm upon any note or notes purchased or discounted by such association and secured by such bonds or certificates of indebtedness, shall not exceed (except to the extent permitted by rules and regulations prescribed by the Comptroller of the Currency, with the approval of the Secretary of the Treasury) 10 per centum of such capital stock and surplus fund of such association."

Under the foregoing, national banks are permitted to loan 10% of their capital and surplus to individuals, firms, or corporations as heretofore, and, furthermore, may loan an additional 10% to the borrower provided the same is secured by United States Liberty Loan Bonds or Certificates of Indebtedness.

Very truly yours,

J. E. McDougal
Governor.