

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 400]
[September 15, 1921.]

National Banks not Required to Apply for Permission to
Purchase Stock in Edge Corporations.

*To all Member Banks in the Second
Federal Reserve District:*

According to a recent decision of the Federal Reserve Board, it no longer requires National banks to obtain its permission before purchasing stock in Edge Corporations. The text of the Board's decision, under date of September 8, 1921, withdrawing its former ruling on this subject is sent to you for your information as follows:

"The Board has ruled heretofore that any national bank which desires to invest in the stock of a corporation organized under the provisions of Section 25 (a) of the Federal Reserve Act must make application to the Board for permission to subscribe to such stock. That ruling was not intended as an interpretation of the law but was promulgated as a matter of regulation based upon practical considerations. Upon careful consideration of the practical value of this requirement in the light of experience, the Board has decided to withdraw this ruling and will no longer require National banks to obtain the Board's permission before purchasing stock in Edge Corporations. It should be remembered, however, that National banks are required by the terms of Section 25 to apply for and obtain permission of the Federal Reserve Board before investing in the stock of international banking or financial corporations organized under State law; and that the aggregate amount of stock held by any national bank in all corporations engaged in business of the kind described in Sections 25 and 25(a) of the Federal Reserve Act must not exceed 10% of the subscribing bank's capital and surplus.

Very truly yours,

BENJ. STRONG,

Governor