

FEDERAL RESERVE BANK  
OF NEW YORK

[ Circular No. 1638 ]  
[ January 30, 1936 ]

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
REGULATION H, EFFECTIVE JANUARY 1, 1936

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

Enclosed herewith is a printed copy of the following revised regulation of the Board of Governors of the Federal Reserve System:

MEMBERSHIP OF STATE BANKING INSTITUTIONS IN  
THE FEDERAL RESERVE SYSTEM, REGULATION H, as re-  
vised effective January 1, 1936 (superseding Regulation H of 1930).

Additional copies of the above mentioned regulation will be furnished upon request.

J. H. CASE,  
*Federal Reserve Agent.*

**BOARD OF GOVERNORS  
OF THE FEDERAL RESERVE SYSTEM**

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**MEMBERSHIP OF STATE BANKING INSTI-  
TUTIONS IN THE FEDERAL  
RESERVE SYSTEM**



**REGULATION H**

**This Regulation as printed herewith is in the form  
as revised, effective January 1, 1936**



MEMBER OF THE BOARD OF GOVERNORS  
OF THE FEDERAL RESERVE SYSTEM

MEMBERSHIP OF STATE BANKING  
ASSOCIATIONS IN THE FEDERAL  
RESERVE SYSTEM

**INQUIRIES REGARDING THIS REGULATION**

Any inquiry relating to this regulation should be addressed to the Federal Reserve bank of the district in which the inquiry arises.



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## REGULATION H

Revised, Effective January 1, 1936  
(Superseding Regulation H of 1930)

# MEMBERSHIP OF STATE BANKING INSTITUTIONS IN THE FEDERAL RESERVE SYSTEM

### AUTHORITY FOR REGULATION

This regulation is based upon and issued pursuant to provisions of section 9 of the Federal Reserve Act and related provisions of law. (Section 9 of the Federal Reserve Act is printed in the Appendix.)

### SECTION 1. DEFINITIONS

For the purposes of this regulation—

(a) The term **"State bank"** means any bank or trust company incorporated under a special or general law of a State or under a general law for the District of Columbia, any mutual savings bank (unless otherwise indicated), and any Morris Plan bank or other incorporated banking institution engaged in similar business.<sup>1</sup>

(b) The term **"mutual savings bank"** means a bank without capital stock transacting a savings bank business, the net earnings of which inure wholly to the benefit of its depositors after payment of obligations for any advances by its organizers, and in addition thereto includes any other banking institution the capital of which consists of weekly or other time deposits which are segregated from all other deposits and are regarded as capital stock for the purposes of taxation and the declaration of dividends.

(c) The term **"Board"** means the Board of Governors of the Federal Reserve System.

(d) The term **"board of directors"** means the governing board of any institution performing the usual functions of a board of directors.

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<sup>1</sup> Under the provisions of section 19 of the Federal Reserve Act, national banks, or banks organized under local laws, located in Alaska or in a dependency or insular possession or any part of the United States outside the continental United States are not required to become members of the Federal Reserve System but may, with the consent of the Board, become members of the System. However, this Regulation H is applicable only to the admission of banks eligible for admission to membership under section 9 of the Federal Reserve Act and does not cover the admission of banks eligible under section 19 of the Act. Any bank desiring to be admitted to the System under the provisions of section 19 should communicate with the Federal Reserve bank with which it desires to do business.

(e) The term "**Federal Reserve bank stock**" includes the deposit which may be made with a Federal Reserve bank in lieu of a subscription for stock by a mutual savings bank which is not permitted to purchase stock in a Federal Reserve bank, unless otherwise indicated.

(f) The terms "**capital**" and "**capital stock**" mean common stock, preferred stock, and legally issued capital notes and debentures purchased by the Reconstruction Finance Corporation which may be considered capital and capital stock for purposes of membership in the Federal Reserve System under the provisions of section 9 of the Federal Reserve Act.

#### SECTION 2. ELIGIBILITY REQUIREMENTS

(a) **Capital requirements.**—Under the terms of section 9 of the Federal Reserve Act, as amended, to be eligible for admission to membership in the Federal Reserve System—

(1) A State bank, other than a mutual savings bank, must possess a paid-up, unimpaired<sup>2</sup> capital sufficient to entitle it to become a national banking association in the place where it is situated under the provisions of the National Bank Act, except in the following circumstances, in which case such a bank may be admitted to membership with a lesser capital as indicated:

(A) Any such institution organized prior to June 16, 1933 (the date of the approval of the Banking Act of 1933) situated in a place the population of which does not exceed 3,000 inhabitants and at the time of admission having a capital of not less than \$25,000;

(B) Any such institution (whether or not organized prior to June 16, 1933) situated in a place the population of which does not exceed 3,000 inhabitants and which at the time of admission is entitled to the benefits of insurance under section 12B of the Federal Reserve Act and has a capital of not less than \$25,000;

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<sup>2</sup> Section 345 of the Banking Act of 1935 provides in part that: "If any part of the capital of a national bank, State member bank, or bank applying for membership in the Federal Reserve System consists of preferred stock, the determination of whether or not the capital of such bank is impaired and the amount of such impairment shall be based upon the par value of its stock even though the amount which the holders of such preferred stock shall be entitled to receive in the event of retirement or liquidation shall be in excess of the par value of such preferred stock. If any such bank or trust company shall have outstanding any capital notes or debentures of the type which the Reconstruction Finance Corporation is authorized to purchase pursuant to the provisions of section 304 of the Emergency Banking and Bank Conservation Act, approved March 9, 1933, as amended, the capital of such bank may be deemed to be unimpaired if the sound value of its assets is not less than its total liabilities, including capital stock, but excluding such capital notes or debentures and any obligations of the bank expressly subordinated thereto."

(C) Any such institution which is required under the provisions of subsection (y) of section 12B of the Federal Reserve Act to become a member of the Federal Reserve System in order to be an insured bank or continue to have any part of its deposits insured under the provisions of section 12B of the Federal Reserve Act<sup>3</sup> and for which the Board, pursuant to subsection (b) of this section of this regulation, waives in whole or in part compliance with the capital requirements of section 9 of the Federal Reserve Act relating to the admission of banks to membership in the Federal Reserve System.

(2) A mutual savings bank must possess surplus and undivided profits not less than the amount of capital required for the organization of a national bank in the place where it is situated.

(3) The minimum capital required for the organization of a national bank, referred to hereinbefore in connection with the capital required for admission to membership in the Federal Reserve System, is as follows:

If located in a city or town with a population—	Minimum Capital
Not exceeding 6,000 inhabitants . . . . .	\$ 50,000
Exceeding 6,000 but not exceeding 50,000 inhabitants	100,000
Exceeding 50,000 inhabitants (except as stated below)	200,000
In an outlying district of a city with a population exceeding 50,000 inhabitants; provided State law permits organization of State banks in such location with a capital of \$100,000 or less . . . . .	100,000

(b) **Waiver of eligibility requirements.**—The Board is authorized to waive requirements relating to the admission of State banks to

<sup>3</sup> The first paragraph of subsection (y) of section 12B of the Federal Reserve Act provides that: "No State bank which during the calendar year 1941 or any succeeding calendar year shall have average deposits of \$1,000,000 or more shall be an insured bank or continue to have any part of its deposits insured after July 1 of the year following any such calendar year during which it shall have had such amount of average deposits, unless such bank shall be a member of the Federal Reserve System: *Provided*, That for the purposes of this paragraph the term 'State bank' shall not include a savings bank, a mutual savings bank, a Morris Plan bank or other incorporated banking institution engaged only in a business similar to that transacted by Morris Plan banks, a State trust company doing no commercial banking business, or a bank located in Hawaii, Alaska, Puerto Rico, or the Virgin Islands."

membership in the Federal Reserve System for any State bank which is required to become a member of the System in order to be an insured bank or continue to have any part of its deposits insured. However, under applicable provisions of law (see footnote 3 on page 3 of this regulation), it cannot be determined before the end of the year 1941 what banks will be required to become members of the System in order to be insured banks or continue to have any part of their deposits insured, and, therefore, the Board cannot exercise its authority to waive eligibility requirements before the end of the year 1941.

#### SECTION 3. INSURANCE OF DEPOSITS

Any State bank becoming a member of the Federal Reserve System after the date of the enactment of the Banking Act of 1935 (August 23, 1935) and which is not at the time an insured bank under the provisions of section 12B of the Federal Reserve Act, will become an insured bank under the provisions of that section on the date upon which it becomes a member of the Federal Reserve System.<sup>4</sup> In the case of an insured bank which is admitted to membership in the Federal Reserve System, the bank will continue to be an insured bank.

#### SECTION 4. APPLICATION FOR MEMBERSHIP

(a) **State bank, other than a mutual savings bank.**—A State bank, other than a mutual savings bank, applying for membership, shall make application on Form 83A to the Board for an amount of capital stock in the Federal Reserve bank of its district equal to six per cent of the paid-up capital stock and surplus of the applying institution.

(b) **Mutual savings bank.**—A mutual savings bank applying for membership shall make application on Form 83B to the Board for an amount of capital stock in the Federal Reserve bank of its district equal to six-tenths of one per cent of its total deposit liabilities as shown by the most recent report of examination of such institution preceding its admission to membership, or, if such institution be not permitted by the laws under which it was organized to purchase stock in a Federal Reserve bank, on Form 83C, for permission to deposit with the Federal Reserve bank an amount equal to the amount which

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<sup>4</sup>In the case of a State bank which at the time of its admission to membership in the Federal Reserve System is not an insured bank, the Board is required under the provisions of subsections (e) and (g) of section 12B of the Federal Reserve Act to issue a certificate to the Federal Deposit Insurance Corporation to the effect that the bank is a member of the Federal Reserve System and that consideration has been given to the financial history and condition of the bank, the adequacy of its capital structure, its future earnings prospects, the general character of its management, the convenience and needs of the community to be served by the bank, and whether or not its corporate powers are consistent with the purposes of section 12B of the Federal Reserve Act.



it would have been required to pay in on account of a subscription to capital stock.

(c) **Mutual savings bank not authorized to purchase stock of Federal Reserve bank at time of admission.**—If a mutual savings bank be admitted to membership on the basis of a deposit of the required amount with the Federal Reserve bank in lieu of payment upon capital stock because the laws under which such bank was organized do not at that time authorize it to purchase stock in the Federal Reserve bank, it shall subscribe on Form 83D for the appropriate amount of stock in the Federal Reserve bank whenever such laws are amended so as to authorize it to purchase stock in a Federal Reserve bank.<sup>5</sup>

(d) **Execution and filing of application.**—Each application made under the provisions of this section and the exhibits referred to in the application blank shall be executed and filed, in duplicate, with the Federal Reserve Agent at the Federal Reserve bank of the district in which the applying bank is located.

#### SECTION 5. APPROVAL OF APPLICATION

(a) **Matters given special consideration by Board.**—In passing upon an application, the following matters will be given special consideration:

- (1) The financial history and condition of the applying bank and the general character of its management;
- (2) The adequacy of its capital structure and its future earnings prospects;
- (3) The convenience and needs of the community to be served by the bank; and
- (4) Whether its corporate powers are consistent with the purposes of the Federal Reserve Act.

(b) **Procedure for admission to membership after approval of application.**—If an applying bank conforms to all the requirements of the Federal Reserve Act and this regulation and is otherwise qualified for membership, its application will be approved subject to such conditions as may be prescribed pursuant to the provisions of the Federal Reserve Act. When the conditions prescribed have been accepted by

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<sup>5</sup> The Federal Reserve Act provides that, if the laws under which any such savings bank was organized be not amended at the first session of the legislature following the admission of the savings bank to membership so as to authorize mutual savings banks to purchase Federal Reserve bank stock, or if such laws be so amended and the bank fail within six months thereafter to purchase such stock, all of its rights and privileges as a member bank shall be forfeited and its membership in the Federal Reserve System shall be terminated in the manner prescribed in section 9 of the Federal Reserve Act.

the applying bank, it should pay to the Federal Reserve bank of its district one-half of the amount of its subscription and, upon receipt of advice from the Federal Reserve bank as to the required amount, one-half of one per cent of its paid-up subscription for each month from the period of the last dividend.<sup>6</sup> The remaining half of the bank's subscription shall be subject to call when deemed necessary by the Board. The bank's membership in the Federal Reserve System shall become effective on the date as of which a certificate of stock of the Federal Reserve bank is issued to it pursuant to its application for membership or, in the case of a mutual savings bank which is not authorized to subscribe for stock, on the date as of which a certificate representing the acceptance of a deposit with the Federal Reserve bank in place of a payment on account of a subscription to stock is issued to it pursuant to its application for membership.

#### SECTION 6. CONDITIONS OF MEMBERSHIP

##### (a) Conditions applicable to all institutions applying for membership.—

Pursuant to the authority contained in the first paragraph of section 9 of the Federal Reserve Act, which authorizes the Board to permit applying State banks to become members of the Federal Reserve System "subject to the provisions of this Act and to such conditions as it may prescribe pursuant thereto," the Board, except as hereinafter stated, will prescribe the following conditions of membership for each State bank hereafter applying for admission to the Federal Reserve System, and, in addition, such other conditions as may be considered necessary or advisable in the particular case—

1. Such bank at all times shall conduct its business and exercise its powers with due regard to the safety of its depositors, and, except with the permission of the Board of Governors of the Federal Reserve System, such bank shall not cause or permit any change to be made in the general character of its business or in the scope of the corporate powers exercised by it at the time of admission to membership.<sup>7</sup>

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<sup>6</sup>In the case of a mutual savings bank which is not permitted by the laws under which it was organized to purchase stock in a Federal Reserve bank, it shall deposit with the Federal Reserve bank an amount equal to the amount which it would have been required to pay in on account of a subscription to capital stock.

<sup>7</sup>If, after admission of any bank to membership, it should desire to make any change in the general character of its business or in the scope of its corporate powers exercised at the time of admission, it will be necessary for it to obtain the permission of the Board before making any such change.

The acquisition by a bank of the assets of another institution through merger, consolidation, or purchase may result in a change in the character of its assets or the scope of its functions within the meaning of condition numbered 1, and if at any time a member State bank subject to such condition anticipates making any such acquisition a detailed report setting forth all of the facts in connection with the transaction should be made promptly to the Federal Reserve bank of the district in which such bank is located.

2. The net capital and surplus funds of such bank shall be adequate in relation to the character and condition of its assets and to its deposit liabilities and other corporate responsibilities,<sup>8</sup> and its capital<sup>9</sup> shall not be reduced except with the permission of the Board of Governors of the Federal Reserve System.<sup>10</sup>

3. Such bank shall not engage as a business in issuing or selling either directly or indirectly (through affiliated corporations or otherwise) notes, bonds, mortgages, certificates, or other evidences of indebtedness representing real estate loans or participations therein, either with or without a guarantee, indorsement, or other obligation of such bank or an affiliated corporation.<sup>11</sup>

(b) **Conditions applicable to institutions exercising trust powers.**—The Board will also prescribe for each trust company or State bank exercising trust powers at the time of its admission to membership the following conditions of membership which are appropriate for institutions exercising trust powers:

4. Such bank shall not invest funds held by it as fiduciary in obligations of or property acquired from the bank or its directors, officers, employees, members of their families, or their interests, or in obligations of or property acquired from affiliates of the bank.<sup>12</sup>

5. Such bank shall not invest funds held by the bank as fiduciary in participations in pools of mortgage bonds or other securities, and the securities and investments of each trust shall

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<sup>8</sup> If at any time, in the light of all the circumstances, the aggregate amount of the bank's net capital and surplus funds appears to be inadequate, the bank, within such period as shall be deemed by the Board to be reasonable for this purpose, shall increase the amount thereof to an amount which in the judgment of the Board shall be adequate in relation to the bank's aggregate deposit liabilities and other corporate responsibilities.

<sup>9</sup> This applies to capital stock of all classes and to capital notes and debentures legally issued and purchased by the Reconstruction Finance Corporation which, under the Federal Reserve Act, are considered as capital for purposes of membership.

A reduction in capital, however, shall not be deemed to be contrary to this provision if, at the same time, the capital is correspondingly increased or a specific reserve in an amount not less than the amount of the capital reduction is set aside to provide for an increase in capital and can be used for no other purpose; provided, of course, the transaction does not violate any provision of applicable laws.

<sup>10</sup> This condition will not be prescribed in connection with the admission of mutual savings banks to membership in the Federal Reserve System.

<sup>11</sup> This condition does not apply to the sale of mortgages covered by insurance under the provisions of the National Housing Act.

<sup>12</sup> Under established principles regarding the handling of trust funds, a trustee or other fiduciary should not have any interest in the funds of a trust except as a fiduciary, and the condition contemplates that a trust institution will not invest trust funds in the obligations of any organization in which officers, directors, or employees of the trust institution or their families have such an interest as might affect the exercise of the best judgment of the management of the trust institution in investing trust funds.

This condition shall not be deemed to prevent investments which are expressly required by the trust instrument creating the trust or by court order.

be kept separate from those of all other trusts and separate also from the properties of the bank itself; <sup>13</sup> provided, however, that the Board of Governors of the Federal Reserve System will not object to the collective investment of trust funds where the cash balances to the credit of certain trust estates are too small to be invested separately to advantage, if the bank owns no participation in the securities in which such collective investments are made and has no interest in them except as trustee or other fiduciary, and if such collective investment is not prohibited by State law or the instrument creating the trust.

6. If funds held by such bank as fiduciary are deposited in its commercial or savings department or otherwise used in the conduct of its business, it shall deposit with its trust department security in the same manner and to the same extent as is required of national banks exercising fiduciary powers.<sup>14</sup>

#### SECTION 7. POWERS AND RESTRICTIONS

Every State bank while a member of the Federal Reserve System—

(a) Shall retain its full charter and statutory rights subject to the provisions of the Federal Reserve Act and other Acts of Congress applicable to member State banks, to the regulations of the Board made pursuant to law, and to the conditions prescribed by the Board and agreed to by such bank prior to its admission;

(b) Shall enjoy all the privileges and observe all the requirements of the Federal Reserve Act and other Acts of Congress applicable to member State banks and of the regulations of the Board made pursuant to law which are applicable to member State banks; and

(c) Shall comply at all times with any and all conditions of membership prescribed by the Board in connection with the admission of such bank to membership in the Federal Reserve System.

#### SECTION 8. ESTABLISHMENT OR MAINTENANCE OF BRANCHES

(a) **In general.**—Every State bank which is or hereafter becomes a member of the Federal Reserve System is subject to the provisions of section 9 of the Federal Reserve Act relating to the establishment

<sup>13</sup> This does not prevent a bank from investing the funds of several trusts in a single real estate loan of the kind which could be made by a national bank under the provisions of section 24 of the Federal Reserve Act, as amended, if the bank owns no participation in the loan and has no interest therein except as trustee or other fiduciary.

<sup>14</sup> Such requirements applicable to national banks are contained in section 11(k) of the Federal Reserve Act and the Board's Regulation F issued pursuant to section 11(k).

In cases where trust funds are fully protected by a statutory preference in all of the assets of the bank over its general creditors, the Board may waive compliance with this condition. However, if compliance be waived in any case, the Board expressly reserves the right to require compliance with the condition if, at any time, it feels that such trust funds are not adequately protected.

and maintenance of branches in the United States or in a dependency or insular possession thereof or in a foreign country. Under the provisions of section 9, member State banks establishing and operating branches in the United States beyond the corporate limits of the city, town, or village in which the parent bank is situated must conform to the same terms, conditions, limitations, and restrictions as are applicable to the establishment of branches by national banks under the provisions of section 5155 of the Revised Statutes of the United States relating to the establishment of branches in the United States, except that the approval of any such branches must be obtained from the Board rather than from the Comptroller of the Currency. Under the provisions of section 9, member State banks establishing and operating branches in a dependency or insular possession of the United States or in a foreign country must conform to the terms, conditions, limitations, and restrictions contained in section 25 of the Federal Reserve Act relating to the establishment by national banks of branches in such places. The principal applicable provisions of law have been interpreted as follows:

**(b) Branches in the United States.—**

1. Branches established within the corporate limits of the city, town, or village in which the parent bank is situated do not require the approval of the Board.

2. Before a member State bank establishes a branch beyond the corporate limits of the city, town, or village in which it is situated, it must obtain the approval of the Board.

3. Before any nonmember State bank having a branch or branches established after February 25, 1927, beyond the corporate limits of the city, town, or village in which the bank is situated is admitted to membership in the Federal Reserve System, it must obtain the approval of the Board for the retention of such branches; and any provisions contained in this section of this regulation which by their terms relate to the establishment or retention of branches by member State banks are equally applicable to the retention by a nonmember State bank applying for membership and having any branches previously established.

4. A member State bank located in a State which by statute law permits the maintenance of branches within county or greater limits may, with the approval of the Board, establish and operate, without regard to the capital requirements of section 5155 of the Revised Statutes, a seasonal agency in any resort community within the limits of the county in which the main office of such bank is located for the purpose of receiving and paying out

deposits, issuing and cashing checks and drafts, and doing business incident thereto, if no bank is located and doing business in the place where the proposed agency is to be located; and any permit issued for the establishment of such an agency shall be revoked upon the opening of a State or national bank in the community where the agency is located.

5. Except as stated in the immediately preceding paragraph, a member State bank which establishes a branch beyond the corporate limits of the city, town, or village in which it is situated must have a paid-in and unimpaired capital stock of not less than \$500,000, except that, in a State with a population of less than 1,000,000, and which has no city located therein with a population exceeding 100,000, the capital stock shall be not less than \$250,000, and except that, in a State with a population of less than 500,000, and which has no city located therein with a population exceeding 50,000, the capital stock shall be not less than \$100,000. In any such case, the aggregate capital stock of the member State bank and its branches shall at no time be less than the aggregate minimum capital stock required by law for the establishment of an equal number of national banking associations situated in the various places where such member State bank and its branches are situated.

6. A member State bank may not establish a branch beyond the corporate limits of the city, town, or village in which it is situated unless such establishment and operation are at the time authorized to State banks by the statute law of the State in question by language specifically granting such authority affirmatively and not merely by implication or recognition, and subject to the restrictions as to location imposed by the law of the State on State banks.

7. Any member State bank which, on February 25, 1927, had established and was actually operating a branch or branches in conformity with the State law is permitted to retain and operate the same while remaining a member of the Federal Reserve System, regardless of the location of such branch or branches.

8. In order to remain a member of the Federal Reserve System, every member State bank must relinquish any branch or branches established after February 25, 1927, beyond the corporate limits of the city, town, or village in which the parent bank is situated, unless such branch or branches are in conformity with or are brought into conformity with the same terms, conditions, limitations, and restrictions as would be applicable in the case of the establishment of such branches.

9. The removal of a branch from one town to another town constitutes the establishment of a branch in such other town within the meaning of the provisions of the Federal Reserve Act.

(c) **Application for approval of branches in United States.**—Any member State bank desiring to establish a branch beyond the corporate limits of the city, town, or village in which it is located and any nonmember State bank applying for membership and desiring to retain any branch established after February 25, 1927, beyond the corporate limits of the city, town, or village in which the bank is situated should submit a request for the approval by the Board of any such branch to the Federal Reserve Agent at the Federal Reserve bank of the district in which the bank is located. Any such request should be accompanied by advice as to the scope of the functions and the character of the business which are or will be performed by the branch and detailed information regarding the policy followed or proposed to be followed with reference to supervision of the branch by the head office; and the bank may be required in any case to furnish additional information which will be helpful to the Board in determining whether to approve such request.

(d) **Foreign branches.**—Before a member State bank establishes a branch in a foreign country, or dependency or insular possession of the United States, it must have a capital and surplus of \$1,000,000 or more and obtain the approval of the Board.

(e) **Application for approval of foreign branches.**—Any member State bank desiring to establish such a branch and any nonmember State bank applying for membership and desiring to retain any such branch established after February 25, 1927, should submit a request for the approval by the Board of any such branch to the Federal Reserve Agent at the Federal Reserve bank of the district in which the bank is located. Any such request should be accompanied by advice as to the scope of the functions and the character of the business which are or will be performed by the branch and detailed information regarding the policy followed or proposed to be followed with reference to supervision of the branch by the head office; and the bank may be required in any case to furnish additional information which will be helpful to the Board in determining whether to approve such request.

SECTION 9. PUBLICATION OF REPORTS OF MEMBER BANKS  
AND THEIR AFFILIATES <sup>15</sup>

(a) **Reports of member banks.**—Each report of condition made by a member State bank, which is required to be made to the Federal Reserve bank of its district as of call dates fixed by the Board of Governors of the Federal Reserve System, shall be published by such member bank within twenty days from the date the call therefor is issued.

The report shall be printed in a newspaper published in the place where the bank is located or, if there be no newspaper published in the place where the bank is located, then in a newspaper published in the same or in an adjoining county and in general circulation in the place where the bank is located. The term "newspaper", for the purpose of this regulation, means a publication with a general circulation published not less frequently than once a week, one of the primary functions of which is the dissemination of news of general interest.

The copy of the report for the use of the printer for publication should be prepared on Form 105e. The published information shall agree in every respect with that shown on the face of the condition report rendered to the Federal Reserve bank, except that any item for which no amount is reported may be omitted in the published statement. All signatures shall be the same in the published statement as in the original report submitted to the Federal Reserve bank, but the signatures may be typewritten or otherwise copied on the report for publication.

A copy of the printed report shall be submitted to the Federal Reserve bank attached to the publisher's certificate on Form 105e.

(b) **Reports of affiliates.**<sup>16</sup>—Each report of an affiliate of a mem-

<sup>15</sup> Under the provisions of section 9 of the Federal Reserve Act, reports of condition of member State banks which, under that section, must be made to the respective Federal Reserve banks on call dates fixed by the Board of Governors of the Federal Reserve System "shall be published by the reporting banks in such manner and in accordance with such regulations as the said Board may prescribe".

Section 9 also provides that the reports of affiliates of a member State bank which are required by that section to be furnished to the respective Federal Reserve banks "shall be published by the bank under the same conditions as govern its own condition reports". The term "affiliates", as used in this provision of section 9, under the express terms of that section, includes "holding company affiliates as well as other affiliates", but a member State bank is not required to furnish to a Federal Reserve bank the report of an affiliated member bank.

<sup>16</sup> Section 21 of the Federal Reserve Act, among other things, provides as follows: "Whenever member banks are required to obtain reports from affiliates, or whenever affiliates of member banks are required to submit to examination, the Board of Governors of the Federal Reserve System or the Comptroller of the Currency, as the case may be, may waive such requirements with respect to any such report or examination of any affiliate if in the judgment of the said Board or Comptroller, respectively, such report or examination is not necessary to disclose fully the relations between such affiliate and such bank and the effect thereof upon the affairs of such bank." Therefore, of course, in any case where the Board of Governors waives the filing of a report of an affiliate of a member State bank, no publication of a report of such affiliate is required.



ber State bank, including a holding company affiliate, shall be published at the same time and in the same newspaper as the affiliated bank's own condition report submitted to the Federal Reserve bank, unless an extension of time for submission of the report of the affiliate has been granted under authority of the Board of Governors of the Federal Reserve System. When such extension of time has been granted, the report of the affiliate must be submitted and published before the expiration of such extended period in the same newspaper as the condition report of the bank was published.

The copy of the report for the use of the printer for publication should be prepared on Form 220a. The published information shall agree in every respect with that shown on the face of the report of the affiliate furnished to the Federal Reserve bank by the affiliated member bank, except that any item appearing under the caption "Financial relations with bank" against which the word "none" appears on the report furnished to the Federal Reserve bank may be omitted in the published statement of the affiliate, provided that if the word "none" is shown against all of the items appearing under such caption in the report furnished to the Federal Reserve bank the caption "Financial relations with bank" shall appear in the published statement followed by the word "none." All signatures shall be the same in the published statement as in the original report submitted to the Federal Reserve bank, but the signatures may be typewritten or otherwise copied on the report for publication.

A copy of the printed report shall be submitted to the Federal Reserve bank attached to the publisher's certificate on Form 220a.

#### SECTION 10. VOLUNTARY WITHDRAWAL FROM FEDERAL RESERVE SYSTEM

(a) **General.**—Any State bank desiring to withdraw from membership in a Federal Reserve bank may do so after six months' written notice has been filed with the Board;<sup>17</sup> and the Board, in its discretion, may waive such six months' notice in any individual case and may permit such bank to withdraw from membership in a Federal Reserve bank, subject to such conditions as the Board may prescribe, prior to the expiration of six months from the date of the written notice of its intention to withdraw.

(b) **Notice of intention of withdrawal.**—Any State bank desiring to withdraw from membership in a Federal Reserve bank should

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<sup>17</sup> Under specific provisions of section 9 of the Federal Reserve Act, however, no Federal Reserve bank shall, except upon express authority of the Board, cancel within the same calendar year more than twenty-five per cent of its capital stock for the purpose of effecting voluntary withdrawals during that year. All applications for voluntary withdrawals are required by the law to be dealt with in the order in which they are filed with the Board.

signify its intention to do so in a letter addressed to the Board and mailed to the Federal Reserve Agent at the Federal Reserve bank of which such bank is a member. Such letter should state clearly the reason for the bank's desire to withdraw. Any such bank desiring to withdraw from membership prior to the expiration of six months from the date of written notice of its intention to withdraw should so state in the letter signifying its intention to withdraw and should state the reason for its desire to withdraw prior to the expiration of six months.

Every notice of intention of a bank to withdraw from membership in the Federal Reserve System and every application for the waiver of such notice should be accompanied by a certified copy of a resolution duly adopted by the board of directors of such bank authorizing the withdrawal of such bank from membership in the Federal Reserve System and authorizing a certain officer or certain officers of such bank to file such notice or application, to surrender for cancellation the Federal Reserve bank stock held by such bank, to receive and receipt for any moneys or other property due to such bank from the Federal Reserve bank and to do such other things as may be necessary to effect the withdrawal of such bank from membership in the Federal Reserve System.

Notice of intention to withdraw or application for waiver of six months' notice of intention to withdraw by any bank which is in the hands of a conservator or other State official acting in a capacity similar to that of a conservator should be accompanied by advice from the conservator or other such State official that he joins in such notice or application.

**(c) Time and method of effecting actual withdrawal.**—Upon the expiration of six months after notice of intention to withdraw<sup>18</sup> or upon the waiving of such six months' notice by the Board, such bank may surrender its stock and its certificate of membership to the Federal Reserve bank and request that same be canceled and that

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<sup>18</sup> The six months' period begins to run on the date when the notice of intention to withdraw is received by the Federal Reserve Agent, the Board's official representative at the Federal Reserve bank.

all amounts due to it from the Federal Reserve bank be refunded.<sup>19</sup> Unless this is done within two months after the expiration of such six months' notice or after the waiver of such notice by the Board, or unless the bank requests and the Board grants an extension of time, such bank will be presumed to have abandoned its intention of withdrawing from membership and will not be permitted to withdraw without again giving six months' written notice or obtaining the waiver of such notice.

(d) **Withdrawal of notice.**—Any bank which has given notice of its intention to withdraw from membership in a Federal Reserve bank may withdraw such notice at any time before its stock has been canceled and upon doing so may remain a member of the Federal Reserve System. The notice rescinding the former notice should be accompanied by a certified copy of an appropriate resolution duly adopted by the board of directors of the bank.

#### SECTION 11. BOARD FORMS

All forms referred to in this regulation and all such forms as they may be amended from time to time shall be a part of this regulation.

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<sup>19</sup> A bank's withdrawal from membership in the Federal Reserve System is effective on the date on which the Federal Reserve bank stock held by it is duly canceled. Until such stock has been canceled, such bank remains a member of the Federal Reserve System, is entitled to all the privileges of membership, and is required to comply with all provisions of law and all regulations of the Board pertaining to member banks and with all conditions of membership applicable to it. Upon the cancellation of such stock, all rights and privileges of such bank as a member bank shall terminate.

Upon the cancellation of such stock, and after due provision has been made for any indebtedness due or to become due to the Federal Reserve bank, such bank shall be entitled to a refund of its cash paid subscription with interest at the rate of one-half of one per cent per month from the date of last dividend, the amount refunded in no event to exceed the book value of the stock at that time, and shall likewise be entitled to the repayment of deposits and of any other balance due from the Federal Reserve bank.

## APPENDIX

### Statutory Provisions

Section 9 of the Federal Reserve Act provides as follows:

#### **Applications for membership by State banks <sup>1</sup>**

Any bank incorporated by special law of any State, or organized under the general laws of any State or of the United States, including Morris Plan banks and other incorporated banking institutions engaged in similar business, desiring to become a member of the Federal Reserve System, may make application to the Board of Governors of the Federal Reserve System, under such rules and regulations as it may prescribe, for the right to subscribe to the stock of the Federal reserve bank organized within the district in which the applying bank is located. Such application shall be for the same amount of stock that the applying bank would be required to subscribe to as a national bank. For the purposes of membership of any such bank the terms "capital" and "capital stock" shall include the amount of outstanding capital notes and debentures legally issued by the applying bank and purchased by the Reconstruction Finance Corporation. The Board of Governors of the Federal Reserve System, subject to the provisions of this Act and to such conditions as it may prescribe pursuant thereto may permit the applying bank to become a stockholder of such Federal reserve bank.

#### **Branches of State member banks**

Any such State bank which, at the date of the approval of this Act, has established and is operating a branch or branches in conformity with the State law, may retain and operate the same while remaining or upon becoming a stockholder of such Federal reserve bank; but no such State bank may retain or acquire stock in a Federal reserve bank except upon relinquishment of any branch or branches established after the date of the approval of this Act beyond the limits of the city, town, or village in which the parent bank is situated. *Provided, however,* That nothing herein contained shall prevent any State member bank from establishing and operating branches in the United States or any dependency or insular possession thereof or in any foreign country, on the same terms and conditions and subject to the same limitations and restrictions as are applicable to the establishment of branches by national banks except that the approval of the Board of Governors of the Federal Reserve System, instead of the Comptroller of the Currency, shall be obtained before any State member bank may hereafter establish any branch and before any State bank hereafter admitted to membership may retain any branch established after February 25, 1927, beyond the limits of the city, town, or village in which the parent bank is situated.

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<sup>1</sup> This and subsequent catchlines are not a part of the law.

### **Financial condition, management and powers**

In acting upon such application the Board of Governors of the Federal Reserve System shall consider the financial condition of the applying bank, the general character of its management, and whether or not the corporate powers exercised are consistent with the purposes of this act.

### **Payment of subscription**

Whenever the Board of Governors of the Federal Reserve System shall permit the applying bank to become a stockholder in the Federal reserve bank of the district its stock subscription shall be payable on call of the Board of Governors of the Federal Reserve System, and stock issued to it shall be held subject to the provisions of this act.

### **Provisions of law to be complied with; reports of condition**

All banks admitted to membership under authority of this section shall be required to comply with the reserve and capital requirements of this act and to conform to those provisions of law imposed on national banks which prohibit such banks from lending on or purchasing their own stock, which relate to the withdrawal or impairment of their capital stock, and which relate to the payment of unearned dividends. Such banks and the officers, agents, and employees thereof shall also be subject to the provisions of and to the penalties prescribed by section fifty-two hundred and nine of the Revised Statutes, and shall be required to make reports of condition and of the payment of dividends to the Federal reserve bank of which they become a member. Not less than three of such reports shall be made annually on call of the Federal reserve bank on dates to be fixed by the Board of Governors of the Federal Reserve System. Failure to make such reports within ten days after the date they are called for shall subject the offending bank to a penalty of \$100 a day for each day that it fails to transmit such report; such penalty to be collected by the Federal reserve bank by suit or otherwise. Such reports of condition shall be in such form and shall contain such information as the Board of Governors of the Federal Reserve System may require and shall be published by the reporting banks in such manner and in accordance with such regulations as the said Board may prescribe.

### **Examinations**

As a condition of membership such banks shall likewise be subject to examinations made by direction of the Board of Governors of the Federal Reserve System or of the Federal reserve bank by examiners selected or approved by the Board of Governors of the Federal Reserve System.

### **Acceptance of State examinations; expenses; reports of examinations**

Whenever the directors of the Federal reserve bank shall approve the examinations made by the State authorities, such examinations and the reports thereof may be accepted in lieu of examinations made

by examiners selected or approved by the Board of Governors of the Federal Reserve System: *Provided, however,* That when it deems it necessary the board may order special examinations by examiners of its own selection and shall in all cases approve the form of the report. The expenses of all examinations, other than those made by State authorities, may, in the discretion of the Board of Governors of the Federal Reserve System, be assessed against the banks examined and, when so assessed, shall be paid by the banks examined. Copies of the reports of such examinations may, in the discretion of the Board of Governors of the Federal Reserve System, be furnished to the State authorities having supervision of such banks, to officers, directors, or receivers of such banks, and to any other proper persons.

### **Forfeiture of membership**

If at any time it shall appear to the Board of Governors of the Federal Reserve System that a member bank has failed to comply with the provisions of this section or the regulations of the Board of Governors of the Federal Reserve System made pursuant thereto, or has ceased to exercise banking functions without a receiver or liquidating agent having been appointed therefor, it shall be within the power of the board after hearing to require such bank to surrender its stock in the Federal reserve bank and to forfeit all rights and privileges of membership. The Board of Governors of the Federal Reserve System may restore membership upon due proof of compliance with the conditions imposed by this section.

### **Voluntary withdrawal from membership**

Any State bank or trust company desiring to withdraw from membership in a Federal reserve bank may do so, after six months' written notice shall have been filed with the Board of Governors of the Federal Reserve System, upon the surrender and cancellation of all of its holdings of capital stock in the Federal reserve bank: *Provided,* That the Board of Governors of the Federal Reserve System, in its discretion and subject to such conditions as it may prescribe, may waive such six months' notice in individual cases and may permit any such State bank or trust company to withdraw from membership in a Federal reserve bank prior to the expiration of six months from the date of the written notice of its intention to withdraw: *Provided, however,* That no Federal reserve bank shall, except under express authority of the Board of Governors of the Federal Reserve System, cancel within the same calendar year more than twenty-five per centum of its capital stock for the purpose of effecting voluntary withdrawals during that year. All such applications shall be dealt with in the order in which they are filed with the board. Whenever a member bank shall surrender its stock holdings in a Federal reserve bank, or shall be ordered to do so by the Board of Governors of the Federal Reserve System, under authority of law, all of its rights and privileges as a member bank shall thereupon cease and determine, and after due provision has been made for any indebtedness due or to become due to the Federal reserve bank it shall be entitled to a

refund of its cash paid subscription with interest at the rate of one-half of one per centum per month from date of last dividend, if earned, the amount refunded in no event to exceed the book value of the stock at that time, and shall likewise be entitled to repayment of deposits and of any other balance due from the Federal reserve bank.

#### **Capital required for membership**

No applying bank shall be admitted to membership in a Federal reserve bank unless it possesses a paid-up unimpaired capital sufficient to entitle it to become a national banking association in the place where it is situated under the provisions of the National Bank Act, as amended: *Provided*, That this paragraph shall not apply to State banks and trust companies organized prior to the date this paragraph as amended takes effect and situated in a place the population of which does not exceed three thousand inhabitants and having a capital of not less than \$25,000, nor to any State bank or trust company which is so situated and which, while it is entitled to the benefits of insurance under section 12B of this Act, increases its capital to not less than \$25,000.

#### **Waiver of membership requirements as to insured banks**

In order to facilitate the admission to membership in the Federal Reserve System of any State bank which is required under subsection (y) of section 12B of this Act to become a member of the Federal Reserve System in order to be an insured bank or continue to have any part of its deposits insured under such section 12B, the Board of Governors of the Federal Reserve System may waive in whole or in part the requirements of this section relating to the admission of such bank to membership: *Provided*, That, if such bank is admitted with a capital less than that required for the organization of a national bank in the same place and its capital and surplus are not, in the judgment of the Board of Governors of the Federal Reserve System, adequate in relation to its liabilities to depositors and other creditors, the said Board may, in its discretion, require such bank to increase its capital and surplus to such amount as the Board may deem necessary within such period prescribed by the Board as in its judgment shall be reasonable in view of all the circumstances: *Provided, however*, That no such bank shall be required to increase its capital to an amount in excess of that required for the organization of a national bank in the same place.

#### **Laws to which subject**

Banks becoming members of the Federal Reserve System under authority of this section shall be subject to the provisions of this section and to those of this act which relate specifically to member banks, but shall not be subject to examination under the provisions of the first two paragraphs of section fifty-two hundred and forty of the Revised Statutes as amended by section twenty-one of this act. Subject to the provisions of this act and to the regulations of the

board made pursuant thereto, any bank becoming a member of the Federal Reserve System shall retain its full charter and statutory rights as a State bank or trust company, and may continue to exercise all corporate powers granted it by the State in which it was created, and shall be entitled to all privileges of member banks: *Provided, however,* That no Federal reserve bank shall be permitted to discount for any State bank or trust company notes, drafts, or bills of exchange of any one borrower who is liable for borrowed money to such State bank or trust company in an amount greater than that which could be borrowed lawfully from such State bank or trust company were it a national banking association. The Federal reserve bank, as a condition of the discount of notes, drafts, and bill of exchange for such State bank or trust company, shall require a certificate or guaranty to the effect that the borrower is not liable to such bank in excess of the amount provided by this section, and will not be permitted to become liable in excess of this amount while such notes, drafts, or bills of exchange are under discount with the Federal reserve bank.

#### **False certification of checks**

It shall be unlawful for any officer, clerk, or agent of any bank admitted to membership under authority of this section to certify any check drawn upon such bank unless the person or company drawing the check has on deposit therewith at the time such check is certified an amount of money equal to the amount specified in such check. Any check so certified by duly authorized officers shall be a good and valid obligation against such bank, but the act of any such officer, clerk, or agent in violation of this section may subject such bank to a forfeiture of its membership in the Federal Reserve System upon hearing by the Board of Governors of the Federal Reserve System.

#### **Government depositaries and financial agents**

All banks or trust companies incorporated by special law or organized under the general laws of any State, which are members of the Federal reserve system, when designated for that purpose by the Secretary of the Treasury, shall be depositaries of public money, under such regulations as may be prescribed by the Secretary; and they may also be employed as financial agents of the Government; and they shall perform all such reasonable duties, as depositaries of public money and financial agents of the Government, as may be required of them. The Secretary of the Treasury shall require of the banks and trust companies thus designated satisfactory security, by the deposit of United States bonds or otherwise, for the safe keeping and prompt payment of the public money deposited with them and for the faithful performance of their duties as financial agents of the Government.



### Admission to membership of mutual savings banks

Any mutual savings bank having no capital stock (including any other banking institution the capital of which consists of weekly or other time deposits which are segregated from all other deposits and are regarded as capital stock for the purposes of taxation and the declaration of dividends), but having surplus and undivided profits not less than the amount of capital required for the organization of a national bank in the same place, may apply for and be admitted to membership in the Federal Reserve System in the same manner and subject to the same provisions of law as State banks and trust companies, except that any such savings bank shall subscribe for capital stock of the Federal reserve bank in an amount equal to six-tenths of 1 per centum of its total deposit liabilities as shown by the most recent report of examination of such savings bank preceding its admission to membership. Thereafter such subscription shall be adjusted semiannually on the same percentage basis in accordance with rules and regulations prescribed by the Board of Governors of the Federal Reserve System. If any such mutual savings bank applying for membership is not permitted by the laws under which it was organized to purchase stock in a Federal reserve bank, it shall, upon admission to the system, deposit with the Federal reserve bank an amount equal to the amount which it would have been required to pay in on account of a subscription to capital stock. Thereafter such deposit shall be adjusted semiannually in the same manner as subscriptions for stock. Such deposits shall be subject to the same conditions with respect to repayment as amounts paid upon subscriptions to capital stock by other member banks and the Federal reserve bank shall pay interest thereon at the same rate as dividends are actually paid on outstanding shares of stock of such Federal reserve bank. If the laws under which any such savings bank was organized be amended so as to authorize mutual savings banks to subscribe for Federal reserve bank stock, such savings bank shall thereupon subscribe for the appropriate amount of stock in the Federal reserve bank, and the deposit hereinbefore provided for in lieu of payment upon capital stock shall be applied upon such subscription. If the laws under which any such savings bank was organized be not amended at the next session of the legislature following the admission of such savings bank to membership so as to authorize mutual savings banks to purchase Federal reserve bank stock, or if such laws be so amended and such bank fail within six months thereafter to purchase such stock, all of its rights and privileges as a member bank shall be forfeited and its membership in the Federal Reserve System shall be terminated in the manner prescribed elsewhere in this section with respect to State member banks and trust companies. Each such mutual savings bank shall comply with all the provisions of law applicable to State member banks and trust companies, with the regulations of the Board of Governors of the Federal Reserve System and with the conditions of membership prescribed for such savings bank at the time of admission to membership, except as otherwise hereinbefore provided with respect to capital stock.

### Reports of affiliates

Each bank admitted to membership under this section shall obtain from each of its affiliates other than member banks and furnish to the Federal reserve bank of its district and to the Board of Governors of the Federal Reserve System not less than three reports during each year. Such reports shall be in such form as the Board of Governors of the Federal Reserve System may prescribe, shall be verified by the oath or affirmation of the president or such other officer as may be designated by the board of directors of such affiliate to verify such reports, and shall disclose the information hereinafter provided for as of dates identical with those fixed by the Board of Governors of the Federal Reserve System for reports of the condition of the affiliated member bank. Each such report of an affiliate shall be transmitted as herein provided at the same time as the corresponding report of the affiliated member bank, except that the Board of Governors of the Federal Reserve System may, in its discretion, extend such time for good cause shown. Each such report shall contain such information as in the judgment of the Board of Governors of the Federal Reserve System shall be necessary to disclose fully the relations between such affiliate and such bank and to enable the Board to inform itself as to the effect of such relations upon the affairs of such bank. The reports of such affiliates shall be published by the bank under the same conditions as govern its own condition reports.

### Additional reports of affiliates

Any such affiliated member bank may be required to obtain from any such affiliate such additional reports as in the opinion of its Federal reserve bank or the Board of Governors of the Federal Reserve System may be necessary in order to obtain a full and complete knowledge of the condition of the affiliated member bank. Such additional reports shall be transmitted to the Federal reserve bank and the Board of Governors of the Federal Reserve System and shall be in such form as the Board of Governors of the Federal Reserve System may prescribe.

### Failure to obtain reports of affiliates

Any such affiliated member bank which fails to obtain from any of its affiliates and furnish any report provided for by the two preceding paragraphs of this section shall be subject to a penalty of \$100 for each day during which such failure continues, which, by direction of the Board of Governors of the Federal Reserve System, may be collected, by suit or otherwise, by the Federal reserve bank of the district in which such member bank is located. For the purposes of this paragraph and the two preceding paragraphs of this section, the term "affiliate" shall include holding company affiliates as well as other affiliates.

### **Dealings in investment securities and stock**

State member banks shall be subject to the same limitations and conditions with respect to the purchasing, selling, underwriting, and holding of investment securities and stock as are applicable in the case of national banks under paragraph "Seventh" of section 5136 of the Revised Statutes, as amended.

### **Divorce of stock from stock of other corporations**

After the date of the enactment of the Banking Act of 1935, no certificate evidencing the stock of any State member bank shall bear any statement purporting to represent the stock of any other corporation, except a member bank or a corporation engaged on June 16, 1934 in holding the bank premises of such member bank, nor shall the ownership, sale, or transfer of any certificate representing the stock of any State member bank be conditioned in any manner whatsoever upon the ownership, sale, or transfer of a certificate representing the stock of any other corporation, except a member bank or a corporation engaged on June 16, 1934 in holding the bank premises of such member bank: *Provided*, That this section shall not operate to prevent the ownership, sale, or transfer of stock of any other corporation being conditioned upon the ownership, sale, or transfer of a certificate representing stock of a State member bank.

### **Holding company affiliates**

Each State member bank affiliated with a holding company affiliate shall obtain from such holding company affiliate, within such time as the Board of Governors of the Federal Reserve System shall prescribe, an agreement that such holding company affiliate shall be subject to the same conditions and limitations as are applicable under section 5144 of the Revised Statutes, as amended, in the case of holding company affiliates of national banks. A copy of each such agreement shall be filed with the Board of Governors of the Federal Reserve System. Upon the failure of a State member bank affiliated with a holding company affiliate to obtain such an agreement within the time so prescribed, the Board of Governors of the Federal Reserve System shall require such bank to surrender its stock in the Federal reserve bank and to forfeit all rights and privileges of membership in the Federal Reserve System as provided in this section. Whenever the Board of Governors of the Federal Reserve System shall have revoked the voting permit of any such holding company affiliate, the Board of Governors of the Federal Reserve System may, in its discretion, require any or all State member banks affiliated with such holding company affiliate to surrender their stock in the Federal reserve bank and to forfeit all rights and privileges of membership in the Federal Reserve System as provided in this section.

### **Examination of affiliates**

In connection with examinations of State member banks, examiners selected or approved by the Board of Governors of the Federal Reserve System shall make such examinations of the affairs of all

affiliates of such banks as shall be necessary to disclose fully the relations between such banks and their affiliates and the effect of such relations upon the affairs of such banks. The expense of examination of affiliates of any State member bank may, in the discretion of the Board of Governors of the Federal Reserve System, be assessed against such bank and, when so assessed, shall be paid by such bank. In the event of the refusal to give any information requested in the course of the examination of any such affiliate, or in the event of the refusal to permit such examination, or in the event of the refusal to pay any expense so assessed, the Board of Governors of the Federal Reserve System may, in its discretion, require any or all State member banks affiliated with such affiliate to surrender their stock in the Federal reserve bank and to forfeit all rights and privileges of membership in the Federal Reserve System, as provided in this section.

NOTE: The provisions of law specifically referred to in section 9 and other provisions to which a State bank which is a member of the Federal Reserve System is subject are printed in the Federal Reserve Act or the Appendix thereto as compiled under the direction of the Board of Governors of the Federal Reserve System.