

DRAFT OF REGULATIONS OF THE FEDERAL RESERVE BOARD, prescribing conditions under which State Banks and Trust Companies may subscribe to the stock and become members of Federal Reserve Banks.

Washington D. C. \_\_\_\_\_ 1914.

REGULATION NO. \_\_\_\_\_

Section 9 of the Federal Reserve Act reads in part, as follows:

"Any bank incorporated by special law of any State, or organized under the general laws of any State of the United States, may make application to the reserve bank organization committee, pending organization, and thereafter to the Federal Reserve Board for the right to subscribe to the stock of the Federal Reserve bank organized or to be organized within the Federal Reserve district where the applicant is located. The organization committee or the Federal Reserve Board, under such rules and regulations as it may prescribe, subject to the provisions of this section, may permit the applying bank to become a stockholder in the Federal Reserve bank of the district in which the applying bank is located. Whenever the organization committee or the Federal Reserve Board shall permit the applying bank to become a stockholder in the Federal Reserve Bank of the district, stock shall be issued and paid for under the rules and regulations in this Act provided for national banks which become stockholders in Federal Reserve banks."

Pursuant to the provisions of this section, the Federal Reserve Board prescribes the following regulations and by-laws specifying the conditions under which State banks and trust companies may become members of Federal Reserve banks.

APPLICATION FOR STOCK.

First - Any State bank or Trust company eligible to membership in a Federal Reserve bank under the Federal Reserve Act and desiring to subscribe to the capital stock of the Federal Reserve bank organized in the district which includes the place of business of such State bank or Trust company shall under authority of its Board of Directors, to be evidenced by a proper resolution of the Board, make application for an amount of capital stock in such Federal Reserve bank equal to 6 per cent of the unimpaired capital stock and surplus of such State bank or Trust company. This application must be accompanied by a statement showing the assets and liabilities of such State bank or Trust company listed on forms approved by the Federal Reserve Board. These forms will be furnished upon request by the Chairman of the Board of the Federal Reserve bank of the district in which the applying bank is located.

The Board of Directors or a committee composed of not less than five members of the Federal Reserve Bank Board shall certify that in their opinion the assets listed in the manner prescribed by the Federal Reserve Board represent actual existing values and that in the opinion of said Board none of such assets are carried at an excessive valuation on the books of said bank.

State banks and Trust companies shall also file with their applications for membership copies of their charters, with amendments, and a digest thereof showing the powers (granted by such charters and amendments) classified to indicate:

(a) Those powers which such banks and trust companies have exercised and desire to continue to exercise.

(b) Those powers which, while granted, have not been exercised and

which such banks and trust companies will not desire nor attempt to exercise as members of the Federal Reserve System.

#### EXAMINATION.

Second - The Federal Reserve Board will in all cases require a special examination of the applying bank by an examiner to be designated by the Federal Reserve Board.

#### ASSOCIATIONS ELIGIBLE FOR MEMBERSHIP

Third - Only those banks which have an unimpaired capital sufficient to entitle them to become national banking associations under the provisions of the National Bank Act shall be considered as eligible to membership in a Federal Reserve bank.

In accordance with section 5138, U. S. Revised Statutes, as amended by the act of March 14, 1900, State banks or Trust companies in order to be eligible to membership must have unimpaired capital stock, as follows:

In cities or towns of less than 3,000 inhabitants, \$25,000.

In cities or towns of more than 3,000 inhabitants but less than 6,000 inhabitants, \$50,000.

In cities of more than 6,000 inhabitants but less than 50,000 inhabitants, \$100,000.

In cities of more than 50,000 inhabitants, \$200,000.

#### POWERS AND RESTRICTIONS.

Fourth - State banks becoming members as such under the provisions of Section 9 of the Federal Reserve Act and retaining their State charters shall be subject to the provisions of section 9 and to such other provisions of the Federal Reserve Act as are applicable thereto.

State banks and Trust companies may continue to exercise those banking or trust company powers, granted them by their State charters, when

such powers are not in conflict with limitations imposed by the Federal Reserve Act. No power, however, granted by a state charter, which is not customarily exercised by a bank or trust company or which is not incident to the business of a bank or trust company, shall be exercised by any association (incorporated under the laws of any state) which becomes a member of the Federal Reserve System. The Reserve Board reserves to itself the determination as to whether these unusual powers are admissible and consistent. The applying bank must file with its application as an exhibit a statement showing powers granted to it by its State charter and those powers which it desires and intends to exercise.

INVESTMENTS BY STATE BANKS AND TRUST COMPANIES.

Fifth - Inasmuch as the Federal Reserve Act limits the amount to be loaned to any one person, firm or corporation by a State bank as a member of the Federal Reserve System but does not specifically prescribe the class and character of investments to be made, such banks or trust companies may invest in or make loans on real estate or other investments within the limitations prescribed by the laws of the State within which such bank or trust company is located, provided, such investments are so made that in due course of business they may be liquidated for an amount which will fully protect the creditors and stockholders of such associations, and no such association will be permitted to become or continue a member of the Federal Reserve System if in the judgment of the Federal Reserve Board an undue proportion of its resources are carried in such long time and

non-liquid investments in such a proportion as to endanger the liquid conditions or the solvency of such association or to cause an impairment of its capital, and the character of all such investments will be taken into consideration in determining the value at which they may be carried on the books of the association.

CONVERTED STATE BANKS AND TRUST COMPANIES.

Sixth - Whenever a State bank or Trust company shall become converted into a national bank under the provisions of Section 8 of the Federal Reserve Act, it shall, at the same time that it files its organization certificate with the Comptroller of the Currency, execute and file with the Federal Reserve bank of its district an application for an amount of stock equal to six per cent of its unimpaired capital and surplus. If such bank or trust company desires to act as trustee, executor, administrator or registrar of stock and bonds, its application for stock in the Federal Reserve bank shall be accompanied by an application to the Federal Reserve Board for permission to exercise these powers.

Seventh - Whenever a State bank or trust company with established branches shall make application for conversion into a national bank and shall desire to retain such branches, such State bank or trust company shall comply with section 5155, U. S. Revised Statutes, which reads as follows:

"It shall be lawful for any bank or banking association organized under State laws, and having branches, the capital being joint and assigned to and used by the mother-bank and branches in definite proportions, to become a national banking association in conformity with existing laws, and to retain and keep in operation its branches, or such one or more of them as it may elect to retain; the amount of the circulation redeemable

at the parent-bank, and each branch, to be regulated by the amount of capital assigned to and used by each."

Eighth - State banks or Trust companies applying for membership in the Federal Reserve System under section 8 of the Federal Reserve Act by conversion into national banking associations, or applying for membership under section 9 as State banks will, if otherwise found to be eligible, be given a reasonable time within which to adjust the loans and investments of such banks to conform to the requirements of the Federal Reserve Act and other laws of the United States applicable thereto. Any bank applying for membership and having loans to any one person, firm or corporation in excess of the limit allowed by the Federal Reserve Act or other loans and investments prohibited by such act shall, before being admitted to membership, give satisfactory assurance to the Committee or to the Federal Reserve Board that such loans and investments will be eliminated or made to conform to the provisions of the Federal Reserve Act and other applicable laws not later than \_\_\_\_\_.

The condition of the applying bank or trust company and the general nature of its business will be considered by the Federal Reserve Board in each case in determining whether such banks shall be admitted to membership.

Ninth - All applications must be addressed to the Federal Reserve Board but must be forwarded to the Chairman of the Board of the Federal Reserve bank of the district in which the applying bank is located, who will submit the matter to the Board of Directors of the Federal Reserve Bank of the District and in turn transmit it to the Federal Reserve Board with his recommendation and that of the Board of Directors of the Reserve Bank.

Tenth - The Federal Reserve Board will from time to time make such amendments and adopt and publish such additional regulations and by-laws as may be deemed necessary and advisable.

FEDERAL RESERVE BOARD

BY

Governor.

Secretary.

November 13, 1914.