

(May 27, 1915)

Regulation M
Series 1915.FEDERAL RESERVE BOARD
WASHINGTON

May 21, 1915.

ADMITTANCE OF STATE BANKS.I. Statutory Requirements

Specific provisions of the Federal Reserve Act applicable to State banks and trust companies which become member banks are quoted at the end of this regulation.

II. Banks Eligible for Membership.

A State bank or a trust company which complies with the following conditions is eligible for membership in a Federal reserve bank

- (1) It must have been incorporated under a special or general law of the State or district in which it is located.
- (2) It must have a minimum paid-up 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 but less than
6,000 inhabitants, \$50,000,
In cities or towns of more than 6,000 but less than
60,000 inhabitants, \$100,000,
In cities of more than 50,000 inhabitants, \$200,000.

III. Application for Membership

Any State bank or trust company may make application on Form _____, attached to and made a part of this regulation, to the Federal reserve agent of its district for an amount of capital stock in the Federal reserve bank of such district equal to six per centum of the paid-up capital stock and surplus of such State bank or trust company.

Upon receipt of such application the Federal reserve agent shall submit the same to a committee composed of the Federal reserve agent, the Governor of the Federal reserve bank and at least one other member of the board of directors of such bank, to be appointed

by such board, but no Class "A" director whose bank is in the same city or town as the applying bank or trust company shall be a member of such committee. This committee shall, after receiving the report of such examination as may be required by the Federal reserve bank in pursuance of directions from the Federal Reserve Board, consider the application and transmit it to the Federal Reserve Board with its report and recommendations.

IV. Approval of Application.

In passing upon an application the Federal Reserve Board will consider especially -

- (1) The financial condition of the applying bank or trust company and general character of its management.
- (2) Whether the charter provisions and the nature of the powers exercised by the said bank or trust company are consistent with the proper conduct of the banking business and with membership in the Federal reserve bank.
- (3) Whether the laws of the State or district in which the applying bank or trust company is located, contain provisions likely to interfere with the proper regulation and supervision of member banks.

If, in the judgment of the Federal Reserve Board, an applying bank or trust company conforms to all the requirements of the Federal Reserve Act and these regulations, and is otherwise qualified for membership, the Board will issue a certificate of approval. Whenever the Board may deem it necessary it will impose such conditions as will insure compliance with the Act and these regulations. When the certificate of approval and any conditions contained therein have been accepted by the applying bank or trust company, stock in the Federal reserve bank of the district in which the applying bank or trust company is located shall be issued and paid for under the rules and regulations of the Federal Reserve Act provided for national banks which become stockholders in the Federal reserve banks.

V. Powers and Restrictions.

Every State bank or trust company while a member of the Federal Reserve System,

- (1) Shall retain its full charter and statutory rights as a State bank or trust company, and may continue to exercise the same functions as before admission except as provided in the Federal Reserve Act and these regulations, including any conditions imposed by the certificate of approval.
- (2) Shall invest in loans on real estate or mortgage only of a character and to an extent which, considering the nature of its liabilities, will not impair its liquid condition.
- (3) Shall, if at the time of its admission to membership it has loans secured by its own stock or loans to one person, firm, or corporation aggregating more than 10 per cent of its capital and surplus or more than 30 per cent of the capital, or if its real estate loans, in the judgment of the Board, impair its liquid condition, adjust all such loans to conform with the requirements of the Federal Reserve Act and these regulations within such reasonable time as may be determined by the Federal Reserve Board in each case.
- (4) Shall maintain such improvements and changes in its banking practice as may have been specifically required of it by the Federal Reserve Board as a condition of its admission, and shall not lower the standard of banking then required of it, and
- (5) Shall enjoy all the privileges and observe all those requirements of the Federal Reserve Act and of the regulations of the Federal Reserve Board applicable to State banks and trust companies which have become member banks.

VI. Withdrawals.

Any State bank or trust company desiring to withdraw from membership in its Federal Reserve Bank, may do so six months after filing with the Federal Reserve Board written notice of

its intention to withdraw. The Board will immediately notify the Federal reserve bank of the district in which the withdrawing bank or trust company is located of the receipt of such notice. At the expiration of said six months, such bank or trust company shall surrender all of its holdings of capital stock in the Federal reserve bank, which stock shall be cancelled at once and the withdrawing bank or trust company released from its stock subscription not previously called. Such member bank shall cease to be a member of the Federal reserve bank immediately upon the cancellation of its stock and the Federal reserve bank shall then refund to such bank a sum equal to its cash-paid subscription on the shares surrendered, one-half of one per centum a month from the period of the last dividend, not to exceed the book value thereof, and its reserve deposits, less any liability of such member to the Federal reserve bank. Provided, that if a Federal reserve bank has previously cancelled within the same calendar year, ten per centum of its capital stock for the purpose of effecting voluntary withdrawals, it shall not be required to cancel any more stock for such purpose until the following year, when all applications will be acted upon in the order in which they were filed with the Board. Any State bank or trust company desiring to withdraw from membership and to secure cancellation of its stock at the expiration of its six months' notice notwithstanding the fact that its Federal reserve bank has previously canceled ten per cent of its stock as stated above may, at its option, do so. In such case, however, the Federal reserve bank shall not be required to repay the amount due on its liquidation account to the withdrawing bank until such time as, determined by the order of its application, its stock would have been canceled had it not exercised this option of withdrawal without immediate payment of balances due.