

Conditions relating to domestic acceptances, and to branch banks for certificates of approval of applications of State banks and trust companies.

- (1) The following condition will be inserted in all certificates of approval:

"That, except with the approval of the Federal Reserve Board, there shall be no change in the general character of the assets of, or broadening in the functions now exercised by the \_\_\_\_\_ such as will tend to affect materially the standard now maintained and required as a condition of membership."

- (2) The following condition will be inserted in all cases where the applying bank or trust company is authorized by its charter or laws of the state in which it is located to accept domestic drafts:

"That the \_\_\_\_\_ shall in no case accept a domestic draft or bill of exchange unless it is based on a transaction covering the shipment of goods, such transaction to be evidenced at the time of acceptance by accompanying shipping documents, or unless it is secured by a warehouse receipt covering readily marketable staples and issued by a warehouse independent of the borrower or by the pledge of goods actually sold, and provided, further, that such bank shall not accept drafts or bills of exchange of any kind, domestic or foreign, to an amount which exceeds at any time in the aggregate more than one-half of its paid-up and unimpaired capital stock and surplus, except that the Federal Reserve Board may authorize such bank to accept such drafts and bills to an amount not to exceed its capital stock and surplus."

- (3) The following condition will be inserted in all cases where the applying bank or trust company is authorized by its charter or the laws of the state in which it is located to establish branches:

"That the establishment of additional branches, domestic or foreign, be subject to the approval of the Federal Reserve Board."

Conditions (2) and (3) should not be inserted unless the applying bank has the legal right to accept domestic drafts or to establish branches at the time of admission. If, however, the state law subsequently authorizes either domestic acceptances or branch banks, the member bank could not at that time under the provisions of condition (1) avail itself of either privilege except with the approval of the Federal Reserve Board. Condition similar to (2) and (3) should be imposed when that subsequent approval is given but not before.

8/24/15.