

## F E D E R A L   R E S E R V E   B O A R D

## Suggested Circular.

The attention of the Board has been called to the fact that some of the State banks and trust companies have construed Circular No. 14, and Regulation M, Series of 1915, as indicating an intention on the part of the Federal Reserve Board to impose, by regulation, restrictions on the activities of State banks and trust companies which become members of the Federal Reserve System which are not imposed by the Federal Reserve Act or by the laws of the State under which such banks are organized. In order that any misapprehension on this score may be removed it is deemed advisable to further elaborate the purposes of the circular and regulation referred to.

The regulations of the Board will be designed to carry out the purposes of the Federal Reserve Act. State banks and trust companies becoming members of the Federal Reserve System are entitled to the privileges of member banks and are subject to those restrictions and limitations contained in the Federal Reserve Act which refer specifically to State banks and trust companies or which refer generally to member banks. Such State banks and trust companies are likewise subject to the laws of the State in which they are created and organized. In general, they must conform to the specific provisions of Section 9 of the Federal Reserve Act, to the reserve requirements contained in Section 19, and to those provisions of the Act which specifically refer to member banks.

It is not the purpose of the Federal Reserve Board to attempt to

impose by regulation any restrictions on the activities of State banks and trust companies which become members of the Federal Reserve System that are not imposed by the Federal Reserve Act or by the laws of the State in which such banks are created and organized.

The scope of the corporate powers of State banks and trust companies is determined by the laws of the State under which they are created, and as members of the Federal Reserve System those powers are limited or restricted only so far as the Federal Reserve Act and amendments expressly restrict the activities of such banks.

The status of national banks, State banks and trust companies is definitely fixed by the terms of the Act.

The regulations of the Board are made pursuant to the provisions of the Federal Reserve Act and are intended to provide the necessary method of procedure to carry into effect what Congress has enacted just as the regulations of the Comptroller have heretofore been made pursuant to the provisions of the National Bank Act.

7/20/16.