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ADDRESS REPLY TO  
 FEDERAL RESERVE BOARD

February 4, 1919

X-1376

SUBJECT: State Legislation to standardize reserves.

Dear Sir:

There are now in session, or will be during the year, the legislatures of about forty-three states, and the Board wishes to call your attention to the fact that the present is an opportune time for initiating any legislation that may be needed in connection with the membership of state banks in the Federal Reserve system.

In many of the states the laws which require separate reserves operate to deter state banks from becoming members, and you are urged to take steps to have bills introduced in the legislatures of the states in your district designed to bring about uniformity with respect to reserves and other requirements. There is enclosed herewith copy of a bill which has been introduced in several states, which bill has been prepared by the General Counsel of the Board after consulting with counsel of various Federal Reserve banks. In some of the states legislation has already been secured allowing state banks and trust companies, members of the system, to disregard the state statutes relating to reserves, and it has been found that applications from state banks have been most numerous in these states.

The Board would appreciate acknowledgment of this letter as well as a report as to the adequacy or the reverse of present laws of the various states in your district.

Very truly yours,

Governor.

An Act authorizing any bank or trust company incorporated under the laws of this Commonwealth to become a member of a Federal reserve bank; to vest in such bank all powers conferred on member banks; to provide that the exercise of such powers shall be subject to all of the provisions of the Federal Reserve Act and to regulations of the Federal Reserve Board, made pursuant thereto; to allow any such bank or trust company to comply with reserve requirements of the Federal Reserve Act in lieu of those established by this Commonwealth; to permit the authorities of this Commonwealth which supervise and examine banks and trust companies organized under its laws, to accept the examinations and audits made pursuant to the Federal Reserve Act in lieu of those required by the laws of this Commonwealth and to disclose to the Federal authorities information relating to the condition and affairs of banks and trust companies organized under the laws of this State which have become or which seek to become members of the Federal Reserve System.

Be it enacted by the Senate and House of Representatives of the Commonwealth of \_\_\_\_\_ in General Assembly met, and it is hereby enacted by the authority of the same.

SECTION 1. The words "Federal Reserve Act as herein used shall be held to mean and to include the Act of Congress of the United States approved December 23, 1913, as heretofore and hereafter amended.

The words "Federal Reserve Board" shall be held to mean the Federal Reserve Board created and described in the Federal Reserve Act.

The words "Federal reserve bank" shall be held to mean the Federal reserve banks created and organized under authority of the Federal Reserve Act.

The words "member bank" shall be held to mean any national bank, State bank or banking and trust company which has become or which becomes a member of one of the Federal reserve banks created by the Federal Reserve Act.

SECTION 2. That any bank or trust company incorporated under the laws of this Commonwealth shall have the power to subscribe to the capital stock and become a member of a Federal reserve bank.

SECTION 3. Any bank or trust company incorporated under the laws of this Commonwealth which is, or which becomes a member of a Federal reserve bank, is by this Act vested with all powers conferred upon member banks of the Federal reserve banks by the terms of the Federal Reserve Act as fully and completely as if such powers were specifically enumerated and described herein, and all such powers shall be exercised subject to all restrictions and limitations imposed by the Federal Reserve Act, or by regulations of the Federal Reserve Board made pursuant thereto. The right, however, is expressly reserved to revoke or to amend the powers herein conferred.

SECTION 4. A compliance on the part of any such bank or trust company with the reserve requirements of the Federal Reserve Act shall be held to be a full compliance with those provisions of the laws of this State which require banks or trust companies to maintain cash balances in their vaults or with other banks, and no such bank or trust company shall be required to carry or maintain reserve other than such as is required under the terms of the Federal Reserve Act.

SECTION 5. Any such bank or trust company shall be subject to the examinations required under the terms of the Federal Reserve Act, and the authorities of this State having supervision over such bank, may in their discretion accept such examination in lieu of the examination required under the laws of this Commonwealth. Such authorities, their agents and employees, may furnish to the Federal Reserve Board, the Federal reserve banks, or to examiners duly appointed by the Federal Reserve Board, or the Federal reserve banks, copies of all examinations made, and may disclose to such Federal Reserve Board, Federal reserve banks, or examiner, any information with reference to the condition or affairs of State banks or trust companies organized under the laws of this State which become members of a Federal reserve bank, or which apply for membership in a Federal reserve bank.

SECTION 6. All acts and the parts of acts inconsistent herewith are hereby repealed.