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ADDRESS REPLY TO
 FEDERAL RESERVE BOARD

FEDERAL RESERVE BOARD

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February 10, 1920.

X-1828

Subject: Code for Telegraphic Advice of Approval
 of Applications of State Institutions for
 Membership in System.

Dear Sir:-

The Federal Reserve Board has heretofore designated the code word "archery" for use in notifying you of the approval of applications of State institutions for membership, and furnished you with the text of four conditions. The number of conditions which are common to a large number of banks has now been considerably increased, and it is desired to extend the use of the code word to cover same. There is accordingly enclosed herewith the text of seventeen conditions, numbered from one to seventeen, inclusive, and in the future in wiring you of the approval of applications these conditions will be referred to by numbers.

Very truly yours,

Enc.

Secretary.

To Chairmen of all F.R. Banks.

CODE FOR TELEGRAPHIC ADVICE OF APPROVAL OF APPLICATIONS BY STATE
INSTITUTIONS FOR MEMBERSHIP.

Archery - The application of has been approved by Federal Reserve Board subject to following conditions in paragraphs numbered:

1. That you shall reduce to the limit prescribed by the laws of (State) any loan which may be in excess of that limit.
2. That you shall reduce to ten per cent of your capital and surplus all balances in excess thereof, if any, which are carried with banks or trust companies not members of the Federal Reserve System.
3. That although you may accept drafts and bills of any character permitted by the laws of (State), you shall agree that the aggregate amount of all acceptances outstanding at any one time shall not exceed the limitations imposed by Section 13 of the Federal Reserve Act, that is, fifty per cent of your capital and surplus for acceptances drawn for the purpose of furnishing dollar exchange in countries specified by the Federal Reserve Board, and fifty per cent of such capital and surplus for all other acceptances, whether domestic or foreign, except that the Federal Reserve Board may increase this limit from fifty per cent to one hundred per cent upon your application, provided, however, that in no event shall the aggregate amount of domestic acceptances outstanding at any one time exceed fifty per cent of your capital and surplus.
4. That except with the approval of the Federal Reserve Board there shall be no change in the general character of your assets or broadening in the functions now exercised by you, such as will tend to affect materially the standard now maintained and required as a condition of membership.
5. That prior to the payment of a dividend you shall carry to surplus account not less than one-tenth part of your net profits for the preceding dividend period until your surplus fund shall amount to twenty per cent of your capital stock.
6. That you shall agree not to pay any dividend until you have a surplus of (\$), and that thereafter prior to the payment of a dividend you shall carry to surplus account not less than one-tenth part of your net profits for the preceding dividend period until your surplus fund shall amount to twenty per cent of your capital stock.
7. That you shall charge off at once, out of undivided earnings, not less than \$..... from your securities account, and shall agree that after admission to the system you will charge off from this account annually not less than 20% of the depreciation in your investments until the book and market values thereof are more nearly in accord.
8. That you shall agree to bond your active officers and employees handling cash or securities or having access to same.

9. That you shall dispose of or otherwise secure any loan which may be secured by your own stock.
10. That you shall agree as a condition of membership that except with the approval of the Federal Reserve Board you will not exercise the powers which you have under your charter or under the laws of your State to . . (description of powers)
11. That you shall agree as a condition of membership that you will exercise the powers which you have under your charter or under the laws of your State (description of powers), so as not to permit them to assume such proportions as, in the judgment of the Federal Reserve Board, may endanger the safety of your depositors.
12. That a resolution be adopted by your Board of Directors authorizing the interchange of reports and information between the Federal Reserve Bank and the State Banking Department.
13. That even if authorized now or hereafter by the laws of the State of ----- to establish branches, no branch will be established except with the approval of the Federal Reserve Board.
14. That except with the approval of the Federal Reserve Board additional branches shall not be established.
15. That you shall agree to require financial statements wherever possible in connection with all important loans.
16. That you shall agree to reduce annually the amount charged to _____ until the same more nearly represents actual liquidating value.
17. That you shall agree to reduce the amount of your _____ and make every effort to keep same at a minimum.