

FEDERAL RESERVE BOARD

WASHINGTON

January 13, 1921.

X 3021

SUBJECT: Investment by National Banks in Stock of International Financial Corporations.

Dear Sir:

Pursuant to the last paragraph of the Board's circular letter X-3002 of December 24, 1920, the Board has had prepared Federal Reserve Board Form 173 for use by national banks in making application for permission to invest in the stock of international banking or other international financial corporations. I am forwarding a number of these forms under separate cover. The forms are suitable for use in making application to purchase stock either in corporations organized under Section 25(a) of the Federal Reserve Act or in corporations organized under State law and operating under an agreement with the Board pursuant to Section 25 of the Act.

A national bank desirous of making application should be furnished with two copies of Form 173 with instructions to send one copy directly to the Federal Reserve Agent of the district in which the national bank is located and to retain the other copy for its files. In case you desire to have a copy for your own files, the national bank may be furnished with three copies and instructed to forward two of these copies to you. In filling out these applications national banks should be particularly careful to state accurately the title of the international financial corporation and to fill out properly the space which shows under what laws the corporation is organized.

You will note that on the back of the application form provision is made for the recommendation of the Federal Reserve Agent. In making your recommendation, due consideration should be given to the financial condition and general management of the applying bank. The application with your recommendation noted thereon should be forwarded without delay to the Board for its consideration and final action.

In the case of an Edge corporation which is in the process of organization, the Board has ruled that while it will consider an application after approval of the corporate title the Board will approve the application only upon the condition that the applying bank shall not be authorized to pay out any money on its stock sub-

scription until the corporation in which the national bank desires to invest shall have been duly incorporated and shall have received from the Board a preliminary permit to exercise such of the powers conferred upon it by Section 25(a) as are incidental and preliminary to its organization. Upon the Board's approval of an application subject to this condition, a national bank may make payment on its stock subscription as required by the Act as soon as the articles of association and organization certificate of the corporation have been filed with and approved by the Board and the Board has issued a preliminary permit pursuant to the provisions of the Act.

Very truly yours,

G o v e r n o r .

To all chairmen of Federal Reserve Banks.