

FEDERAL RESERVE BOARD

WASHINGTON

April 15, 1922.
X-3384

SUBJECT: Record of Bank Membership

In verifying schedules submitted by Federal Reserve Agents for inclusion in their annual reports, it has been noted that in several instances the schedules relating to new member banks do not agree with the records of the Board as regards dates of admission.

In order that the practice in this connection may be uniform, therefore, you are advised that the Federal Reserve Board considers that a bank becomes a member of the system on the date indicated under one of the following circumstances:

1. National Banks.

- (a) Ordinarily under the present practice the Comptroller of the Currency does not issue a certificate of authority to begin business until advised by the Federal Reserve Board that it has approved an application for stock and that the applying bank has made the required 50% payment thereon. Under such circumstances the bank becomes a member on the date of the certificate issued by the Comptroller authorizing it to begin business.
- (b) If for any special reason the Comptroller of the Currency should issue his certificate of authority to a bank to begin business prior to the bank having filed an application for stock in the Federal Reserve Bank, the bank becomes a member as of the date the Federal Reserve Agent receives the required payment for stock provided the bank's application has previously been approved by the Federal Reserve Board; if, however, payment is made prior to the Board having approved the application, the bank becomes a member on the date the application is approved.
- (c) Where a state institution converts into a national bank, the stock of the state member bank is transferred to the national bank on the books of the Federal Reserve Bank without the formality of a new application. In

such cases, membership as a national bank begins and membership as a state bank ceases as of the date on which the Comptroller of the Currency issues his certificate of authority to the bank to begin business.

2. State Institutions.

- (a) With reference to state institutions, the present procedure is (1) filing of application, (2) approval by the Board, subject to conditions, (3) acceptance of such conditions, (4) final approval by the Board, (5) payment for stock. Under this order of procedure, the applying institution becomes a member as of the date the Federal Reserve Agent receives the required payment on the stock subscription.
- (b) In case a state bank applying for membership should make the required payment on stock prior to the completion of the other formalities in order, as set forth in the preceding paragraph, membership begins as of the date the Federal Reserve Board gives final approval to the bank's application.

In connection with the Federal Reserve Agents advising the Board by telegraph of payments made on account of subscriptions to stock, it is desirable that the Board be advised in each case on the date on which payment is actually received, the code word "Newcome" being used for this purpose. If, however, for any reason, the telegram is not dispatched to the Board on the date on which payment is actually made, the Federal Reserve Agents, in such cases, are requested to indicate in the telegram the date on which they received payment.

Very truly yours,

G o v e r n o r .