

## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARDOctober 30, 1923.  
X-3872

SUBJECT: Condition of Membership No. 18.

Dear Sir:

The Federal Reserve Board, when approving the application for membership of a State banking institution, which at the time of application has insufficient capital to entitle it to become a national banking association in the place where it is located, but which is eligible for membership under the terms of the Federal Reserve Act, as amended by the Act of March 4, 1923, will impose in all cases the following condition:

- (18) That, as provided in the Federal Reserve Board's Regulation H, series of 1923, the bank shall increase its paid-up and unimpaired capital within five years after the approval of its application by the Federal Reserve Board to \$\_\_\_\_\_. For the purpose of providing for such increase, the bank shall set aside each year in a fund exclusively applicable to such capital increase not less than fifty per cent of its net earnings for the preceding year prior to the payment of dividends, and if such net earnings exceed twelve per cent of the paid-up capital of the bank, then all net earnings in excess of six per cent of the paid-up capital shall be carried to such fund, until such fund amounts to \$\_\_\_\_\_. Whenever such fund shall amount to \$\_\_\_\_\_, or at such other time as the Federal Reserve Board may require, such fund or as much thereof as may be necessary shall be converted into capital by a stock dividend or used in any other manner permitted by State law to increase the capital of the bank to the required amount. Such increase in capital may be provided in whole or in part by the sale of additional stock. Provided, that nothing herein contained shall be construed as requiring the bank to violate any provision of the law of the State in which it is located.

In telegraphic communications this condition will be referred to as No. 18 and should be included as such under the code word "Archery".

Very truly yours,

Walter L. Eddy,  
Secretary.

TO ALL F. R. AGENTS