

## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARDFebruary 23, 1924.  
X-3975

Subject: Examinations of State Member Banks.

Dear Sir:

For your information, I would state that the Federal Reserve Board has recently ruled as follows on the question of whether or not the Federal reserve banks may conduct examinations of state member banks with examiners other than those selected or approved by the Federal Reserve Board.

"The following provision of Section 21 of the Federal Reserve Act was contained in the Act as originally enacted:

'In addition to the examinations made and conducted by the Comptroller of the Currency, every Federal reserve bank may, with the approval of the Federal reserve agent or the Federal Reserve Board, provide for special examinations of member banks within its district.'

The following provision, which is now contained in the Federal Reserve Act, was added to Section 9 by the amendment of June 21, 1917:

'As a condition of membership such banks shall likewise be subject to examinations made by direction of the Federal Reserve Board or of the Federal reserve bank by examiners selected or approved by the Federal Reserve Board.'

Although the provision of Section 9 above quoted does not expressly supersede that of Section 21 on this subject, it seems to be controlling with respect to the examiners who shall make examinations of State member banks. Section 21 of the Act contains no reference to the selection or qualification of such examiners, but the later enactment in Section 9 requires that they be 'selected or approved by the Federal Reserve Board'. Since the original statute is silent on the subject, and the later provision contains an express requirement, it is the opinion of the Federal Reserve Board that Section 9 of the Act is controlling on the point. You are advised, therefore, that examinations of State member banks conducted by Federal reserve banks should not be made by examiners other than those selected or approved by the Federal Reserve Board in accordance with the provisions of Section 9 of the Federal Reserve Act."

Very truly yours,

Walter L. Eddy,  
Secretary.

TO ALL FEDERAL RESERVE AGENTS.