

FEDERAL RESERVE BOARD

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WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-4686

October 12, 1926.

SUBJECT: Topic for Next Governors' Conference.

Dear Sir:

The Federal Reserve Board has voted to place upon the program for the next conference of Governors of Federal Reserve Banks for their consideration and advice, the question as to the advisability of the Board adopting for all national banks a minimum capital requirement and imposing other requirements in connection with its granting authority to such banks to exercise trust powers.

For your information in this connection, there is enclosed herewith a copy of a memorandum by the Board's Counsel relative to the legal right of the Board to place a minimum limit on capital of national banks to which it will grant trust powers.

Very truly yours,

Walter L. Eddy,
Secretary.

To Governors of all F.R.Banks.

Enclosure:

X-4687-a

May 21, 1926.

The Federal Reserve Board
Mr. Wyatt - General Counsel.

Right of Board to place minimum
limit on capital of national banks
to which it will grant trust powers.

The opinion of this office has been requested on the question whether the Board can legally place a minimum limit upon the capital of a national bank to which it will grant trust powers.

The last paragraph of Section 11(k) of the Federal Reserve Act reads as follows:

"In passing upon applications for permission to exercise the powers enumerated in this sub-section, the Federal Reserve Board may take into consideration the amount of capital and surplus of the applying bank, whether or not such capital and surplus is sufficient under the circumstances of the case, the needs of the community to be served, and any other facts and circumstances that seem to it proper, and may grant or refuse the application accordingly: Provided, That no permit shall be issued to any national banking association having a capital and surplus less than the capital and surplus required by State law of State banks, trust companies, and corporations exercising such powers."

In view of this provision there can be no doubt that the Federal Reserve Board may legally prescribe a minimum capital for national banks applying for trust powers and may decline to grant trust powers to any national bank which has not a capital equal to or in excess of the minimum limit so prescribed by the Board. Of course, the minimum capital prescribed by the Federal Reserve Board must not be less than the capital required by State law of State banks, trust companies, and other corporations exercising trust powers.

Respectfully,

Walter Wyatt,
General Counsel.

WW/NS