

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-4864

June 2, 1927.

SUBJECT: Special Condition of Membership.

Dear Sir:

The Federal Reserve Board recently received from the Federal Reserve Agent at one of the Federal reserve banks an inquiry as to whether under Section 9 of the Federal Reserve Act, as amended by the Act of February 25, 1927, known as the McFadden Act, the Board may prescribe for a state bank admitted to membership in the Federal Reserve System a condition that the applying bank shall eliminate certain losses or objectionable assets within a reasonable period prescribed by the Board.

For your information, the Board in reply expressed the opinion that it still has power to prescribe such a condition, which would be considered to be "pursuant to" that provision of Section 9 which requires the Board, in acting upon applications of state banks for membership, to consider the financial condition of the applying bank, the general character of its management, and whether or not the corporate powers exercised are consistent with the purposes of the Federal Reserve Act.

By direction of the Federal Reserve Board.

Very truly yours,

Walter L. Eddy,
Secretary.

TO ALL FEDERAL RESERVE AGENTS.