

FEDERAL RESERVE BOARD

WASHINGTON

X-6159

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

October 12, 1928.

SUBJECT: Topic for Agents' Conference -
Classification of Member Banks
by Electoral Groups.

Dear Sir:

Section 4 of the Federal Reserve Act as originally passed provided that member banks in each Federal reserve district were to be classified into 3 groups or divisions for the purpose of electing directors, and that each group should contain as nearly as may be one-third of the aggregate number of member banks in the district and should consist of banks of similar capitalization. The September 26, 1918, amendment to the Act modified this provision by eliminating the requirement that one-third of the aggregate number of member banks in the district be included in each group. Following the adoption of the amendment and after obtaining suggestions from each Federal reserve bank, the Board on October 3, 1918, (letter X-1240) adopted a new classification of member banks into electoral groups for each Federal reserve district.

It now appears that owing to changes in membership and growth in capital accounts, the classification approved by the Board in 1918 does not work satisfactorily in some of the districts. Before authorizing any changes in the classification of member banks in these districts, the Board would like to have the present classification reviewed by all Federal reserve agents, and accordingly, has placed the subject on the program for discussion at the forthcoming agents' conference. In reviewing this question the Board would like to have you give consideration to the advisability of adopting the rule that whenever member banks are reclassified for electoral purposes group 2 shall contain approximately one-third of the total number of member banks and that groups 1 and 3 be determined with reference to both number of banks and aggregate amount of capital and surplus.

It will be appreciated if you will furnish the Board in advance of the forthcoming conference with a statement of the number of member banks in your district grouped according to capital and surplus, together with cumulative figures of both capital and surplus and number of banks. To facilitate its use, it will be appreciated if the information is set up in the following form:

-2-

NUMBER AND CAPITAL AND SURPLUS OF MEMBER BANKS IN _____ FEDERAL
RESERVE DISTRICT, GROUPED ACCORDING TO CAPITAL AND SURPLUS

(Based on June 30, 1928 condition reports)

Capital and surplus	Number of banks with capital and surplus shown	Cumulative figures	
		Capital and surplus	Number of banks
\$25,000	3	\$75,000	3
26,000	2	127,000	5
27,000	2	181,000	7

The Board will welcome any suggestions your directors may have to make regarding the classification of member banks by electoral groups, and if practicable, would like to have you bring their suggestions to its attention at the time you furnish the figures above requested.

Very truly yours,

Walter L. Eddy,
Secretary.

TO ALL CHAIRMEN.