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FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6478

January 15, 1930.

Dear Sir:

There is attached hereto copy of a letter being addressed to one of the Federal reserve agents, ruling that a member bank is not entitled to subscribe for additional Federal reserve bank stock on account of an increase in its capital, unless the amount of Federal reserve bank stock which it holds at the time is less than six per cent of its combined capital and surplus.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

TO ALL FEDERAL RESERVE AGENTS EXCEPT BOSTON

Enclosure.

January 15, 1930.

Dear Sir:

Receipt is acknowledged of your letter of December 23rd, with reference to the amount of Federal reserve bank stock to which the may be entitled to subscribe on account of an increase of its capital. It appears that, as a result of certain consolidations by the with other banks, this bank holds Federal reserve bank stock issued upon the basis of surplus accounts which have since been reduced without the surrender of a corresponding amount of Federal reserve bank stock. The capital of the has now been increased and this bank desires to subscribe for additional Federal reserve bank stock on account of such increase without any reduction on account of the reductions of surplus which have taken place. It further appears that the amount of Federal reserve bank stock now held by this bank is at least equal to 6% of its present capital and surplus. You inquire whether the is entitled to subscribe for additional Federal reserve bank stock on account of the increase in its capital without taking into account the reductions which have been made in its surplus.

You are advised that, under these circumstances, the is not entitled to subscribe for any additional Federal reserve bank stock on account of the increase in its capital. In other words, a member bank is not entitled to subscribe for additional Federal reserve bank stock on account of an increase in its capital unless the amount of Federal reserve bank stock which it holds at the time is less than 6% of its combined capital and surplus. This principle should be applied to any similar cases which come to your attention.

By Order of the Federal Reserve Board.

Yours very truly,

E. M. McClelland,
Assistant Secretary.