

# FEDERAL RESERVE BOARD

605

WASHINGTON

X-6624

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

June 10, 1930.

SUBJECT: Amendments to Regulation "I".

Dear Sir:

On April 23, 1930, Section 6 of the Federal Reserve Act was amended so as to authorize the Comptroller of the Currency to appoint a receiver for a national bank which had discontinued its banking operations for a period of 60 days without going into liquidation and for which a receiver had not already been appointed. This Act also amended Section 9 of the Federal Reserve Act so as to authorize the Board to forfeit the membership of a State member bank which had ceased to exercise banking functions, but which had not been placed in liquidation and for which a receiver had not been appointed.

In order to make it conform with the provisions of this Act, Section II of Regulation "I" has been amended, effective immediately, by adding after subdivision (c) a new subdivision to read as follows:

"(d) Other closed member banks. Whenever a national bank which has not gone into liquidation as provided in Section 5220 of the Revised Statutes of the United States and for which a receiver has not been appointed for other lawful cause shall discontinue its banking operations for a period of sixty days, the Federal Reserve Agent of the Federal reserve district in which such national bank is located shall furnish the Federal Reserve Board with full information with reference to the facts involved in the case and with a definite recommendation as to whether the Comptroller of the Currency should appoint a receiver for the national bank. Upon receipt of this advice the Federal Reserve Board will, if the circumstances warrant it, request the Comptroller of the Currency to appoint a receiver for the national bank. If such receiver is appointed, the Federal reserve bank stock held by the national bank should be surrendered and canceled in the manner described in subdivision (b) of this section.

"Whenever a State member bank shall cease to exercise banking functions without being placed in liquidation in accordance with the laws of the State in which it is located and without a receiver having been appointed for it, the Federal Reserve Agent of the Federal reserve district in which such State member bank is located shall furnish the Federal Reserve Board with full information with reference to the facts involved in the case and with a definite recommendation as to whether the Federal Reserve Board should require the State member bank to surrender its

stock in the Federal reserve bank and to forfeit all rights and privileges of membership in the Federal Reserve System. Upon receipt of this advice the Federal Reserve Board will, if termination of the membership of the State member bank appears desirable, give the member bank notice of the date upon which a hearing will be held to determine whether its membership should be forfeited. If, after such hearing, the membership of a State member bank is forfeited the Board will direct the Federal Reserve Agent of the Federal reserve district in which the member bank is located to cancel the Federal reserve bank stock it holds and make appropriate refund thereon."

In the early part of this year the Board's attention was called to the fact that a member bank which, in accordance with the Board's Regulations, held Federal reserve bank stock issued upon the basis of surplus account which had since been reduced without the surrender of a corresponding amount of Federal reserve bank stock, had increased the amount of its capital. It appeared that the increase in the capital of the bank was approximately equal to the amount of the reduction of its surplus which had previously taken place. Under these circumstances, the Board was requested to rule whether the member bank was entitled to subscribe for additional Federal reserve bank stock on account of the increase in its capital. The Board ruled that the member bank, while holding Federal reserve bank stock issued upon the basis of its surplus account which had since been reduced, was 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 held after such increase in its capital was less than 6 per cent of its combined capital and surplus. The Board's Regulations in this respect have not been entirely clear and, accordingly, paragraphs (c) and (d) of Section 1 of Regulation "I" have been amended, effective immediately, to read as follows:

"(c) Increase of capital or surplus by member banks.- Whenever any member bank shall increase the aggregate amount of its paid-up capital stock and surplus, it shall file with the Federal reserve bank of which it is a member an application on F. R. B. Form 56, made a part of this regulation, for such additional amount of the capital stock of the Federal reserve bank of its district as may be necessary to make its total subscription to stock of the Federal reserve bank equal to 6 per cent of its combined capital and surplus. After such application has been approved by the Federal Reserve Agent and by the Federal Reserve Board, the applying member bank shall pay to the Federal reserve bank of its district one-half of the amount of its additional subscription, and when this amount has been paid the appropriate certificate of stock shall be issued by the Federal reserve bank. The remaining half of such additional subscription shall be subject to call when deemed necessary by the Federal Reserve Board.

"(d) Consolidation of member banks.- Whenever two or more member banks consolidate and such consolidation results in the consolidated bank acquiring by operation of law the Federal reserve bank stock owned by the other consolidating bank or banks, and which also results in the consolidated bank having an aggregate capital and surplus in excess of the aggregate capital and surplus of the consolidating member banks, such consolidated bank shall file an application for such additional amount of the capital stock of the Federal reserve bank of its district as may be necessary to make its total subscription to the stock of the Federal reserve bank equal to 6 per cent of its combined capital and surplus, as provided in Section I (c)."

Regulation "I" with the above amendments will be printed in pamphlet form and copies will be sent you as soon as they are received from the printer.

Very truly yours,

E. M. McClelland,  
Assistant Secretary.

To all Governors and Chairmen.