

DIGEST OF STATE LAWS RELATING TO MEMBERSHIP OF STATE
BANKS AND TRUST COMPANIES IN FEDERAL RESERVE SYSTEM
AND RESERVES REQUIRED OF SUCH MEMBERS.

(Final draft)

The following digest was prepared in the office of the General Counsel to the Federal Reserve Board, with the assistance of the Counsel for the various Federal reserve banks, at the request of the Committee on Bank Reserves of the Federal Reserve System. The digest shows the provisions of the State laws permitting banks and trust companies to join the Federal Reserve System and authorizing member banks and trust companies to maintain the reserves required by the Federal Reserve Act in lieu of those required by the State law; and where the provisions on either of these points have been amended, the digest also shows the original provisions and the dates of and changes effected by all amendments.

ALABAMA.

Banks and trust companies permitted to become members of Federal Reserve System.

An act of the Legislature of Alabama approved on September 17, 1919, provides that any State bank or trust company "shall have the power to subscribe to the capital stock and become a member of a Federal reserve bank ***". (Laws of 1919, Act approved September 17, 1919, sec. 1; Civil Code, sec. 6416; Banking Law Pamphlet, 1928, sec. 6416, p. 46.)

Compliance with Federal Reserve Act reserve requirements accepted as compliance with State law requirements.

The Act of September 17, 1919, also provides that a member bank or trust company "shall keep and maintain as a lawful reserve the same reserves as are required by the Federal Reserve Act and the amendments thereto of other banks members of the Federal Reserve System, and a compliance by such bank or trust company of this State with the reserve requirements of the Federal Reserve Act shall be held to be a full compliance with the provisions of the laws of this State on the subject of bank reserves, and such bank or trust company shall not be required to carry reserves other than such as are required under the terms of the Federal Reserve Act and its amendments." (Laws of 1919, Act approved September 17, 1919, sec. 1; Civil Code, sec. 6418; Banking Law Pamphlet, 1928, sec. 6418, p. 46.)

ARIZONA.

Bank or trust company authorized to become member of Federal Reserve System.

On March 18, 1919, an act of the Legislature of this State was approved in which it was provided "That any bank or trust company incorporated under the laws of this State shall have the power to subscribe to the capital stock and become a member of a Federal Reserve Bank." (Laws of 1919, Act approved March 18, 1919, ch. 99, sec. 2.)

In 1922, the Legislature enacted a new Code of the banking laws of this State and a provision covering membership in the Federal Reserve System substantially the same as the 1919 provision is included in the Code. The new Code provides "That any bank or trust company incorporated under the laws of this State shall have the power to subscribe to the capital stock and become a member of the Federal Reserve System created and organized under an Act of Congress of the United States and known as the Federal Reserve Act." (Session Laws of 1922, ch. 31, sec. 72; General Banking Laws, 1922, sec. 72, p. 47.)

Compliance with Federal Reserve Act reserve requirements accepted as compliance with State law requirements.

The act approved March 18, 1919, also provided that a compliance by a member bank or trust company "with the reserve requirements of the Federal Reserve Act, shall be held to be a full compliance with those provisions of the laws of this State which require banks or trust companies to maintain cash balances in their vaults or with other banks, and no such bank or trust company shall be required to carry or maintain reserve other than such as is required under the terms of the Federal Reserve Act." (Laws of 1919, Act approved March 18, 1919, ch. 99, sec. 4.)

The new 1922 Banking Code also substantially incorporates the 1919 provisions permitting a compliance with the reserve requirements of the Federal Reserve Act in lieu of the requirements of State law. In this connection, the new Code provides that "Any such bank or trust company shall comply with the reserve requirements of the Federal Reserve Act and its amendments, and the compliance of such bank or trust company therewith shall be in lieu of, and shall relieve such bank or trust company from compliance with the provisions of the laws of this State relating to the maintenance of reserves." (Session Laws of 1922, ch. 31, sec. 74; General Banking Laws, 1922, sec. 74, p. 47.)

A revised code of the laws of Arizona was published in 1928, and the membership and reserve provisions set forth above have been incorporated into one section of this code. This section provides that: "Any bank may subscribe to the capital stock and become a member of the federal reserve system created and organized under an act of congress of the United States and known as the federal reserve act. The compliance of such bank with the reserve requirements of said act shall be in lieu of, and shall relieve such bank from compliance with the provisions of the laws of this state relating to the maintenance of reserves. The superintendent may * * *. (Secs. 72, 74-5, i.d. cons. a rev.)" (Revised Code of Arizona, 1928, sec. 268.)

The revised code also provides that "the term bank shall include commercial banks, savings bank and trust companies * * *." (Revised Code of Arizona, 1928, sec. 209.)

ARKANSAS.

Banks and trust companies may own stock in Federal Reserve Bank.

An act of March 22, 1919, of the Legislature of this State provides that State banks and trust companies may "own such amount of stock in a Federal Reserve Bank as may be required by the Federal Reserve Act for all banks, trust companies or savings banks becoming members thereof." (Acts of 1919, Act of March 22, 1919, Act 339, p.

251, sec. 3; C. & M. Digest, 1926, sec. 740; Banking Law Pamphlet, 1929, sec. 100, p. 75.)

Compliance with Federal Reserve Act requirements held compliance with State law requirements.

The Act of March 22, 1919, also provides that member banks and trust companies "shall keep and maintain as a lawful reserve, the same reserves as are required of other bank members of the Federal Reserve System" and such a compliance by member banks and trust companies "shall be held to be a full compliance with the provisions of the laws of this State on the subject of bank reserves." (Acts of 1919, Act of March 22, 1919, Act 339, p. 251, sec. 1; C. & M. Digest, 1926, sec. 738; Banking Law Pamphlet, 1929, sec. 103, p. 77.)

CALIFORNIA.

Banks expressly and trust companies impliedly authorized to become members of Federal Reserve System.

In 1913, the so-called Bank Act of California was amended so as to provide in part that any bank "is hereby authorized and empowered to join or associate itself with any 'national reserve association of the United States' or branch thereof, or any plan now or hereafter created or established by act of congress whether such banking or currency association or plan be created by congress under the above or any other name". (California Bank Act, as amended in 1913, sec. 56.) The section of the laws containing the above provision was amended in 1915, but the wording of the provision in question was not changed.

In 1919, the bank act was further amended so that it now provides in part that "Any bank is hereby authorized and empowered to become a member of a Federal reserve bank. Nothing in this act shall prohibit any such bank from becoming a member of a Federal reserve bank, in the manner provided in the federal reserve act, nor from investing any part of its capital or surplus or reserve fund in the capital stock of such federal reserve bank, in accordance with the terms and provisions of such federal reserve act; * * *". (California Bank Act, as amended in 1919, sec. 56.)

In 1919 legislation also amended the laws covering trust companies so as impliedly to authorize such companies to become members of the Federal Reserve System, the provision in question providing in part that "Any trust company upon becoming a member of a federal reserve bank is authorized and empowered * * *". (California Bank Act, as amended in 1919, sec. 90.)

The California Bank Act provides that the word "bank" as used therein shall include any corporation "transacting a trust business". (California Bank Act, sec. 2.)

Compliance with reserve provisions of Federal Reserve Act as relieving compliance with State law.

Prior to 1919, member banks and trust companies were not permitted to maintain the reserves prescribed by the Federal Reserve Act in lieu of the reserves prescribed by the State law, as legislation enacted in 1915 only permitted such banks and trust companies to maintain as reserves on deposit with a Federal reserve bank such portion of their total reserves as was required by members of the Federal Reserve System. (California Bank Act, as amended in 1915, sec. 20.)

In the Bank Act, as amended in 1919, there were two provisions relating to reserve requirements which read as follows:

"Sec. 20. Every commercial bank shall maintain total reserves * * *

"If any bank shall have become a member of a federal reserve bank, it shall comply with the reserve requirements of the federal reserve act and its amendments, and its compliance therewith shall be in lieu of, and shall relieve such bank from compliance with, the provisions of this section.
* * *"

"Sec. 68. Every savings bank or savings department of a bank shall at all times maintain total reserves * * *

"If any bank shall have become a member of a federal reserve bank, it shall at all times maintain the reserves required by the federal reserve act for time deposits, and in addition thereto shall be required to maintain a reserve of at least two per centum of its aggregate deposits, exclusive of United States, postal savings, state, county and municipal, and other public money deposits, which are secured as is required by law, which two per centum shall consist of gold bullion, or any form of money or currency authorized by the laws of the United States."

That part of Section 20 above quoted has not been amended since its enactment in 1919, but that part quoted from Section 68 was amended in 1921 to read as follows:

"If any savings bank shall have become a member of a federal reserve bank, it shall comply with the reserve requirements of the federal reserve act and its amendments, and its compliance therewith shall be in lieu of, and shall relieve such savings bank or savings department of a departmental bank from compliance with the provisions of this section." (L. 1921, ch. 780, sec. 28, p. 1400.)

It will be noted that in the above quoted provisions of section 20 there is no specific reference to the reserve requirements of trust companies; and, although the word "bank" is defined by the Bank Act as including any corporation "transacting a trust business" (California Bank Act, sec. 2), it would seem to be a question of construction as to whether or not trust companies could be included within the meaning of the word "bank", as the word is used in that part of section 20 relating to banks which have become members of the Federal Reserve System, inasmuch as the opening sentence of the section refers to commercial banks.

COLORADO.

Banks and trust companies permitted to become members of Federal Reserve System.

Under the terms of an act approved April 4, 1919, a State bank or trust company is given "power to subscribe to the capital stock and become a member of a Federal Reserve Bank". (Laws of 1919, Act approved April 4, 1919, p. 298, sec. 2; Courtright's Mills Annotated Stats., 1930, sec. 403 i - 403 j, p. 192 b; Banking Law Pamphlet, 1928, sec. 167, p. 80.)

Compliance with Federal Reserve Act reserves relieves compliance with reserve requirements of State law.

In 1923, the legislature of this State enacted legislation prescribing when member banks and trust companies may be relieved from complying with State reserve laws, the provision in this connection providing that "with the approval of the State Bank Commissioner, any corporation now or hereafter organized under the laws of this state as a trust company or banking trust company, or enjoying and exercising the rights, powers and privileges of a bank and trust company, under the laws of the state, if a member of a Federal reserve bank, may by a compliance with the requirements of the Federal Reserve Act and the regulations of the Federal Reserve Board as to the maintenance of reserves, be relieved to the requirements of the laws of this state relating to such reserves." (Laws of 1923, p. 191, sec. 1; Courtright's Mills Annotated Stats., 1930, sec. 341a, p. 146a; Banking Law Pamphlet, 1928, sec. 149, p. 73.)

CONNECTICUT.

Banks and trust companies may purchase stock in Federal Reserve Bank.

Prior to 1931 the laws of this State did not contain any provisions expressly authorizing banks or trust companies to purchase

stock in and become members of federal reserve banks. Under the terms of an act approved June 8, 1927, however, banks and trust companies "may purchase and hold corporate securities of any description, provided the total amount at the purchase price invested in corporate stocks shall at no time exceed twenty-five per centum of its combined capital, surplus and undivided profits and provided its investment in the stock of any one corporation shall not exceed ten per centum of the stock of that corporation or exceed ten per centum of the percentage prescribed herein, whichever may be the greater, * * * " (Public Acts, 1927, Act approved June 8, 1927, ch. 251.) The Act just referred to was included, without change in the language quoted above, in the General Statutes of Connecticut, Revision of 1930, Vol. II, Title 37, ch. 206, sec. 3885.

Section 3885 of the General Statutes was amended by ch. 162 of the Public Acts of 1931, effective July 1, 1931, and as so amended it expressly recognizes the right of banks and trust companies to hold federal reserve bank stock. As amended it provides in part, that a bank or trust company "may purchase and hold corporate securities of any description, provided the total amount at the purchase price invested in corporate stocks shall at no time exceed ten per centum of its combined capital, surplus and undivided profits, and provided its investment in the stock of any one corporation shall exceed neither five per centum of the stock of that corporation nor three per centum of such combined capital, surplus and undivided profits, except that such corporate stocks as were owned on April 1, 1931, may be retained, but such limitations shall not apply to the stock of any federal reserve bank, * * *."

State reserve laws do not apply to members of Federal Reserve System.

On May 29, 1925, an act of the General Assembly of this State was approved which provides that "The provisions of the general statutes relating to reserves and cash balances of state banks and trust companies shall not apply to any bank or trust company which is a stockholder in any federal reserve bank". (Connecticut Public Acts, 1925, Act approved May 29, 1925, ch. 135.) The provision above referred to is now incorporated in the General Statutes of Connecticut, Revision of 1930, Vol. II, Title 37, ch. 206, sec. 3898, exactly as quoted with the exception of the word "general", which has been omitted.

DELAWARE.

Banks and trust companies authorized to become members of Federal Reserve System.

In 1915, legislation was enacted in this State which makes

it lawful for State banks and trust companies to become members of the Federal Reserve System. (Act of March 8, 1915, Laws of Delaware, ch. 107, p. 322; Banking Law Pamphlet, 1929, sec. 18, p. 38.)

Member banks and trust companies only required to maintain reserves required by Federal Reserve Act.

An act enacted in 1919, by the General Assembly of this State, provides in part that the "State bank commissioner in determining, in the course of his examination, the amount of lawful money reserve required under any law of this State to be maintained, at all times, by State Banks and Trust Companies, shall not require such State Banks and Trust Companies as may be members of the Federal Reserve Bank in the Federal Reserve District embracing the State of Delaware to maintain a greater reserve than that required by the Federal Reserve Act". (Session Laws of 1919, ch. 111, p. 255, sec. 9; Banking Law Pamphlet, 1929, sec. 9, p. 10.)

FLORIDA.

Banks and trust companies authorized to invest in stock of Federal Reserve Banks.

The legislature of this State, by an act of June 4, 1917, provided "That it shall be unlawful for any bank or trust company

"organized under the laws of this State and doing business in this State, to directly or indirectly invest any of the funds of said bank or trust company in stock of any incorporated company in this State or elsewhere, except in the stock of the Federal Reserve Bank of this district; * * * " (Acts of 1917, Act of June 4, 1917, ch. 7629, sec. 2.)

The Act of June 4, 1917, was amended in 1929, but the wording above quoted was not changed. (Acts of 1929, ch. 13576, sec. 11; Banking Law Pamphlet, 1930, sec. 4152, p. 16.)

No provisions permitting compliance with reserve provisions of Federal Reserve Act.

The laws of this State do not appear to contain any provisions specifically authorizing a member bank or trust company to maintain reserves in accordance with the provisions of the Federal Reserve Act in lieu of State law requirements.

GEORGIA.

Banks and trust companies authorized to become members of Federal Reserve System.

In 1915, legislation was enacted in this State which expressly authorized State banks and trust companies "to subscribe for stock and become members of the Federal Reserve Bank of the district to which they may properly be assigned by the Federal Reserve Board * * *; provided the same is approved by resolution of the Board of directors of such bank and in accordance with the requirements of the Federal Reserve Act". (Acts of 1915, p. 33.)

On August 16, 1919, an act was approved which repeals the above provision, but which contains a provision authorizing banks to become members of the Federal Reserve System and which is in many respects similar to the repealed provision. The 1919 act provides in part that "Banks are authorized and empowered to subscribe for stock and become members of the Federal Reserve Bank of the district to which they properly may be assigned by the Federal Reserve Board, in accordance with the Acts of Congress regulating Federal Reserve Banks, and any bank becoming such member shall be authorized to conform to the requirements and regulations of such Federal Reserve Bank, and of the Federal Reserve Board". (Laws of 1919, Act approved August 16, 1919, Art. XIX, sec. 38; Banking Law Pamphlet, as amended to and including August 26, 1925, Art. XIX, sec. 38.)

The act of August 16, 1919, also contains the provision that "No bank shall subscribe for or purchase any stocks except stock in the Federal Reserve Bank * * *, necessary to qualify for membership therein, * * *". (Laws of 1919, Act approved August 16, 1919, Art. XIX, sec. 23.); and, although the section of the laws containing this provision was amended in 1924 and 1930, the effect of the provision was not changed.

It will be noted that the 1915 legislation expressly authorized both banks and trust companies to become members while the sections of the 1919 provisions (sec. 23, as amended in 1924 and 1930, and sec. 36) expressly authorize only banks to join the Federal Reserve System. The laws of Georgia, however, define the word "bank", as used in the banking laws, as including trust companies doing a banking business. (Laws of 1919, Act approved August 16, 1919, Art. 1, sec. 1; Banking Law Pamphlet, as amended to and including August 26, 1925, Art. 1, sec. 1, p. 1.)

Compliance with reserve provisions of Federal Reserve Act deemed compliance with provisions of State law.

By an Act approved August 20, 1918, the General Assembly of this State provided that any State bank or trust company "which is or which becomes a member of a Federal Reserve bank shall keep and maintain as a lawful reserve the same reserves as are required of other banks members of the Federal Reserve System, and a compliance by any such bank or trust company in this state with the reserve requirements of the Federal Reserve Act shall be held to be a full compliance with the provisions of the laws of this State on the subject of bank reserves, and such bank or trust company shall not be required to carry reserves other than such as are required under the terms of the Federal Reserve Act". (Laws of 1918, Act approved August 20, 1918, sec. 1.)

In 1919, the above provision was repealed, and with reference to reserves, the new legislation provided "that any bank which is a member of the Federal Reserve System may in lieu of the reserve herein required keep and maintain such reserve as is required under the Acts of Congress relating to Federal Reserve Banks". (Laws of 1919, Art. XIX, sec. 27.) This provision appears to cover trust companies (Laws of 1919, Art. 1, sec. 1.); and although the section of the laws in which the provision in question was contained was amended in 1920, the wording remained the same. (Michie's Annotated Code, 1926, sec. 2366 (173); Banking Law Pamphlet, as amended to and including August 26, 1925, Art. XIX, sec. 27, p. 77.)

IDAHO.Banks and trust companies authorized to subscribe to Federal Reserve Bank stock.

In 1915, the legislature of this State enacted legislation which authorized a "bank" to subscribe to the stock of a Federal Reserve Bank. This legislation provided that "Any bank in this state is authorized to subscribe to the stock of a Federal Reserve Bank, as provided by the laws of the United States." (Laws of 1915, ch. 81, sec. 5, p. 196.)

In 1921, the above provision was amended so as to authorize trust companies also to become members of the Federal Reserve System. (Laws of 1921, ch. 231, p. 519.)

In 1925, the legislature adopted a new code of the banking laws for this State, which provides that "Any bank incorporated under the laws of this State shall have the power to subscribe to the capital stock and become a member of a Federal Reserve Bank." (Laws of 1925, ch. 133, Art. 1, sec. 47; Banking Law Pamphlet, 1925, sec. 47, p. 24.) It will be noted that this provision only mentions "any bank"; but inasmuch as the new code includes a "trust company" within its definition of a bank, it apparently does not affect the right of trust companies to join the Federal Reserve System. (Laws of 1925, ch. 134, Art. 1, sec. 2; Banking Law Pamphlet, 1925, sec. 2, p. 2.)

Compliance with reserve requirements of Federal Reserve Act deemed compliance with reserve requirements of State law.

The 1915 legislation also provided that "Any bank becoming a member of a Federal Reserve Bank is authorized to comply with the laws of the United States, and the rules and regulations of the Federal Reserve Board and the Comptroller of the Currency, anything in this act or in the laws of this State to the contrary notwithstanding". (Laws of 1915, ch. 81, sec. 5, p. 196.) In 1921 this provision was amended to read "Any bank or trust company becoming a member of a Federal Reserve Bank, is authorized to comply with * * * all the provisions of the Federal Reserve Act and its amendments and the regulations of the Federal Reserve Board applicable to such bank or trust company and to have all the powers and assume all the liabilities conferred and imposed by said act." (Laws of 1921, ch. 231, p. 519.) These provisions perhaps authorized members to maintain reserves in accordance with the provisions of the Federal Reserve Act in lieu of the provisions of the State law.

In 1925, however, the legislature adopted a new banking code which specifically permits member banks and trust companies to comply with the reserve provisions of the Federal Reserve Act in lieu of the State law requirements, the provisions in question providing that a compliance by a member bank or trust company "with the reserve requirements of the Federal Reserve Act shall be held to be a full compliance with those provisions of the laws of this state which require banks to maintain cash balances in their vaults or with other banks, and no such bank or trust company shall be required to carry or maintain reserve other than such as is required under the terms of the Federal Reserve Act". (Laws of 1925, ch. 133, Art. 1, sec. 47; Banking Law Pamphlet, 1925, sec. 47, p. 24.) Another provision of the new code provides that "Any bank which is or becomes a member of the Federal Reserve System, shall comply with the reserve requirements of the Federal Reserve Act". (Laws of 1925, ch. 133, Art. 1, sec. 26; Banking Law Pamphlet, 1925, sec. 26, p. 16.)

ILLINOIS.

No provisions on subject.

The laws of this State do not appear to contain any provisions specifically covering either membership of banks or trust companies in the Federal Reserve System or the reserves required of such banks or trust companies.

INDIANA.

Banks and trust companies may become members of Federal Reserve System.

In 1921, the Indiana Legislature passed an act which authorizes loan, trust and safe deposit companies "to purchase and hold, for the purpose of becoming a member of a federal reserve bank, so much of the capital stock thereof as will qualify it for membership in such reserve bank, * * *; to become a member of such federal reserve bank, and to have and exercise all powers, not in conflict with the laws of this state, which are conferred upon any such member by the federal reserve act; * * * " (Acts of 1921, p. 42; Banking Law Pamphlet, 1929, sec. 10 (9), p. 33 (37).)

It will be noted that the above quoted provision expressly authorizes only "loan, trust and safe deposit companies"

to purchase stock in and become member banks of a Federal Reserve Bank; and the laws do not appear to contain any provisions specifically granting a similar authorization to so-called "banks of discount and deposit". It appears, however, that such banks and savings banks are now authorized by implication to become members of the Federal Reserve System in view of the particular language used in the following provision dealing with reserves of "any bank, trust company or savings bank * * * which is or which becomes a member of a federal reserve bank".

Compliance with reserve provisions of Federal Reserve Act held compliance with provisions of State law.

In 1927, legislation was enacted in this State which provides "That any bank, trust company, or savings bank organized and doing business under the laws of this state, which is or which becomes a member of a federal reserve bank, shall keep and maintain as a lawful reserve the same reserves as are required of other bank members of the federal reserve system, and a compliance by any such bank, trust company or savings bank with the reserve requirements of the federal reserve act shall be held to be a full compliance with the provisions of the laws of this state on the subject of bank reserves, and such bank, trust company, or savings bank shall be required to carry only such reserves as are required under the terms of the federal reserve act." (Acts of 1927, ch. 152, p. 461, sec. 1; Banking Law Pamphlet, 1929, sec. 1, p. 80.)

IOWA.

Banks and trust companies authorized to become members of Federal Reserve Bank.

In 1915, the General Assembly of this State passed an act which provides "That any state bank, savings bank or trust company organized under the laws of this state is authorized and empowered, upon a vote of the shareholders thereof owning not less than fifty-one per cent of the capital stock of such state bank, savings bank or trust company, to become a member of the federal reserve bank and to invest their funds in the stock of the federal reserve bank in the federal reserve district in which such banks or trust companies are located, and to incur liability therefor." (Laws of 1915, sec. 1889-0; Code of 1927, sec. 9269.)

Compliance with reserve provisions of Federal Reserve Act only required of member banks and trust companies.

In 1919, the General Assembly of this State passed legislation

requiring member banks and trust companies to carry only the reserves prescribed by the Federal Reserve Act. That legislation provides that "Any state bank, savings bank, or trust company incorporated under the laws of this state, which is or hereafter may become a member of the federal reserve bank system of the United States of America, shall be required to carry during the period of such membership only such cash reserve funds as may be required from time to time to be maintained by national bank members of said federal reserve bank system." (Laws of 1919, ch. 319, sec. 1; Code of 1927, sec. 9270; Banking Law Pamphlet, 1929, sec. 9270, p. 35.)

KANSAS.

Banks expressly permitted to become members of Federal Reserve Bank.

In 1915, the legislature of this State amended the laws prohibiting a bank from making certain investments of its funds so as to provide that "any bank may become a stockholder in, and member of, the Federal Reserve Bank of the Federal Reserve district where such state bank is located". (Laws of 1915, ch. 88, sec. 1; Rev. Stats. of 1923, sec. 9-111.) The section of the laws containing this provision was amended in 1921, and again in 1927; but neither of these amendments altered the effect of the 1915 provision.

Trust companies apparently permitted to become members of Federal Reserve System.

The laws of this State do not contain any provisions expressly permitting or authorizing trust companies to become members of the Federal Reserve System; but it would seem that such institutions have this right under a provision which empowers them "to buy and sell all kinds of government, state, county, municipal and corporation bonds, and all kinds of negotiable and non-negotiable paper, securities and stocks: Provided, That the total investment of any such trust company in bank stock shall at no time exceed one-fourth its paid-up capital: * * *". (Laws of 1901, ch. 407, sec. 2, as amended by Laws of 1903, ch. 528, sec. 1, as amended by Laws of 1907, ch. 425, sec. 1, Act of March 21, 1907; Rev. Stats. of 1923, sec. 17-2002; Banking Law Pamphlet, 1929, sec. 2 (8), p. 37.). It is understood, however, that at the present time there are no trust companies in this State which are members of the Federal Reserve System.

No provisions permitting compliance with reserve requirements of Federal Reserve Act in lieu of State law requirements.

The laws of this State do not appear to contain any provisions permitting members of the Federal Reserve System to maintain reserves in accordance with Federal Reserve Act requirements instead of State law requirements.

KENTUCKY.

Banks and trust companies authorized to become members of Federal Reserve Bank.

In 1914, the legislature of this State passed an act which provides that "Any bank or trust company organized under the laws of this Commonwealth may subscribe for and own stock of the Federal Reserve Bank within the Federal reserve district where such bank or trust company is located and may take any steps necessary to become a member of such Federal reserve bank." (Laws of 1914, ch. 16, sec. 1; Carroll's Kentucky Stats., 1930, sec. 584a; Banking Law Pamphlet, including 1926 legislation, sec. 584a, p. 25.)

Provisions regarding reserves.

On March 14, 1914, an Act of the General Assembly was approved permitting State banks and trust companies to purchase stock in a Federal reserve bank and prescribing new reserve requirements for State banks and trust companies. (Acts of 1914, ch. 16, p. 61.) With reference to reserves, the act provided that "each bank and trust company, organized under the laws of this Commonwealth and authorized by law to receive deposits shall keep on hand, at all times, at least twelve per cent of its total demand deposits and five per cent of its total time and savings deposits; and, in cities which are reserve or central reserve cities, under the Act of Congress of December 23, 1913, known as the Federal Reserve Act, at least fifteen per cent of its total demand deposits and five per cent of its total time and savings deposits; one-third of which reserve shall be in money and the remainder may be in balances due from other banks and subject to call. * * *." This act, however, contained no provision expressly authorizing member banks and trust companies to maintain the reserves required by the Federal Reserve Act in lieu of those required by the State law. The provision just quoted became Section 584 of "Kentucky Statutes, Carroll's 1915 Edition", which, together with the Baldwin Law Book Company's 1918 Supplement was adopted as the law of Kentucky on March 24, 1922 (Acts 1922, ch. 104, p. 295.).

Section 2 of the Act of March 26, 1918, provided, "That Section 584, Kentucky Statutes, (Carroll 1915) be and same hereby is amended and reenacted", so as to add a new paragraph providing in part that "any such (member) bank or trust company shall comply with the reserve requirements of the Federal Reserve Act and its amendments and the compliance of such bank or trust company therewith shall be in lieu of, and shall relieve such bank or trust company from compliance with the provisions of the laws of this Commonwealth relating to the maintenance of reserves" (Acts of 1918, ch. 34, sec. 2, p. 100); and the entire section was designated as Section 584 in the 1922 edition of Carroll's Kentucky Statutes.

Chapter 127 of the Kentucky Acts of 1922, p. 377 (which became a law without being either approved or disapproved by the Governor) provides, in part, that: "Section 584, Kentucky Statutes, (Carroll's 1915 Edition), be and the same is hereby amended by eliminating the words twelve per cent, five per cent and fifteen per cent, wherever same appear in said section, and substituting therefor the words seven per cent, three per cent and ten per cent, so that said section, when amended and re-enacted, will read as follows:"

Following this, there is quoted the provisions of Section 584 of the Kentucky Statutes (Carroll's 1915 Edition) with the changes in the percentages of reserves to be maintained; but the new paragraph added to Section 584 of the Kentucky Statutes (Carroll's 1915 Edition) by Section 2 of the Act of March 26, 1918, was omitted. Under these circumstances, it is difficult to determine whether the General Assembly intended to repeal the provision permitting the maintenance by member banks and trust companies of the reserves required by the Federal Reserve Act in lieu of those required by State law, or whether the Legislature intended only to amend the paragraph pertaining to the percentages of reserves to be maintained by all State banks and trust companies, member and nonmember. There is, however, printed on pages 378 and 379 of the Kentucky Acts of 1922, apparently as part of Chapter 127 thereof, a resolution adopted on September 8, 1920, by the 28th annual meeting of the Kentucky Bankers' Association, from which it is clear that the purpose of this law was to reduce the reserves required of State banks to the amount required by the Federal Reserve Act of member banks of the Federal Reserve System, and the resolution contains no indication of any intention to deprive State members of the Federal Reserve System of the privilege of maintaining the reserves required by the Federal Reserve Act in lieu of those required by State law. (The only difference is that, under the State law, one-third of the reserves is required to be in money and the remainder in balances due from other banks and subject to call, whereas, under the Federal Reserve Act the entire reserve is required to consist of an actual net balance with the Federal

Reserve Bank.) The compiler of this digest is informed that member banks and trust companies in the State of Kentucky continue to maintain the reserves required by the Federal Reserve Act in lieu of those required by State law; so that, in practice, Chapter 127 of the Kentucky Acts of 1922 apparently has been construed as not repealing the paragraph on this subject added to section 584 of the Kentucky Statutes (Carroll's 1915 Edition) by the Act of March 26, 1918.

LOUISIANA.

Banks and trust companies permitted to become members of Federal Reserve System.

All State banks, savings banks and trust companies organized under the laws of Louisiana are "authorized and empowered to subscribe for stock and become members of the Federal Reserve Bank of the District to which they may properly be assigned by the Federal Reserve

Board in accordance with the Act of Congress adopted December 23, 1913, provided the same is approved by resolution of the Board of Directors of such bank and in accordance with the requirements of the Federal Reserve Act." (Acts of 1914, Act No. 305, sec. 1; Banking Law Pamphlet, 1928, sec. 1, p. 79.)

No provisions permitting compliance with Federal Reserve Act reserve requirements in lieu of State law requirements; but reserves in Federal Reserve Bank construed as "cash on hand".

The laws of this State do not contain any provisions permitting or authorizing banks and trust companies, which are members of the Federal Reserve System, to comply with the reserve requirements of Federal Reserve Act in lieu of the requirements of State law; but the laws were amended in 1918 so as to permit such member banks and trust companies to construe cash reserves deposited in Federal Reserve Banks "as cash on hand." (Act 179 of 1902, sec. 14, as amended by Act 91 of 1918; Act 45 of 1902, sec. 5, as amended by Act 92 of 1918; Banking Law Pamphlet, 1928, sec. 14, p. 10, and sec. 5, p. 29.)

MAINE.

Trust Companies authorized to become members of Federal Reserve Bank.

The laws of this State do not make any distinction between a so-called commercial bank and a trust company; and by an act approved March 31, 1915, the legislature provided that "any trust company may become a stockholder in a Federal Reserve Bank within the Federal Reserve District where said trust company is situated * * *". (Laws of 1915, Act approved March 31, 1915, ch. 262, amending sec. 80, ch. 48 of Revised Statutes of 1903, as amended by ch. 15, Public Laws of 1905.)

On April 4, 1923, another act was approved revising and consolidating all of the banking laws; but a provision reading precisely the same as the provision above quoted is incorporated therein. (Laws of 1923, Act approved April 4, 1923, ch. 144, sec. 80, p. 199; Banking Law Pamphlet, 1927, sec. 80, p. 53.)

Federal Reserve Act reserve requirements substituted for State law requirements.

The Act of March 31, 1915, also provided that "while such trust company continues as a member bank * * * (it) shall be subject to the provisions of said 'Federal Reserve Act', and any amendments thereof relative to bank reserves in substitution for the requirements"

of the State law relating to reserves. (Laws of 1915, Act approved March 31, 1915, ch. 262, amending sec. 80, ch. 48 of Revised Statutes of 1903, as amended by ch. 15, Public Laws of 1905.)

The Act of April 4, 1923, revising and consolidating the banking laws, also uses the same wording as the above quoted 1915 provision in dealing with reserves of trust company members of the Federal Reserve System. (Laws of 1923, Act approved April 4, 1923, ch. 144, sec. 80, p. 199; Banking Law Pamphlet, 1927, sec. 80, p. 53.)

MARYLAND.

Banks and trust companies may become members of Federal Reserve System by implication; expressly permitted to carry only Federal Reserve Act reserves.

The laws of this State do not contain any provisions expressly permitting State banks and trust companies to become members of the Federal Reserve System; but it would seem that they impliedly are given this permission by legislation enacted in 1918 permitting banks which are members to carry only such reserves as are required by the Federal Reserve Act. This legislation provides that "Notwithstanding anything in this Article contained, any banking institution which is a member of the Federal Reserve System, shall not be required to keep any reserve or reserves other than those required and prescribed for banking institutions which are members of said Federal Reserve System." (Laws of 1918, ch. 33, sec. 62 c; Annotated Code of Maryland, 1924, Art. 11, sec. 65; Banking Law Pamphlet, 1928, sec. 65, p. 32.)

The laws of Maryland define a banking institution "to mean incorporated Banks, Savings Institutions and Trust Companies, and not to apply to or include building and loan associations." (Laws of 1910, ch. 219, sec. 51; Annotated Code of Maryland, 1924, Art. 11, sec. 52; Banking Law Pamphlet, 1928, sec. 52, p. 27.)

MASSACHUSETTS.

Trust companies impliedly authorized to become members of Federal Reserve System; but expressly permitted to comply with Federal Reserve Act reserve requirements in lieu of State law requirements.

The laws of this State do not make any distinction between a so-called commercial bank and a trust company; and in 1914, legislation was enacted which impliedly authorizes trust companies to become members of the Federal Reserve System, but expressly permits

them to comply with the reserve requirements of the Federal Reserve Act in substitution of the requirements of the State law. (Laws of 1914, ch. 537, sec. 1; General Laws, ch. 172, secs. 48 and 81; Banking Law Pamphlet relating to Trust companies, 1929, sec. 48, p. 24, and sec. 81, p. 32.)

MICHIGAN.

Banks and trust companies transacting banking business authorized to purchase stock in a Federal Reserve Bank.

In 1915, the legislature of this State passed an act authorizing banks "to purchase capital stock in a federal reserve bank, or do any other act required to be done by a bank to become a member bank * * * " (P. A. 1887, Act 205, sec. 4 (7th), as amended by P. A. 1913, Act 11 and P. A. 1915, Act 25; Comp. Laws of 1897, sec. 6093 (7th), as amended.)

The section of the laws containing the above provision was amended in 1917, 1919, 1925, and 1927; and in 1929, the legislature passed an act revising and codifying all of the laws relating to banking, but none of these amendments changed the wording of the provision in question. (For 1929, legislation see P.A. 1929, Act 66, sec. 4 (7th); Banking Law Pamphlet, 1929, sec. 4 (7th), p. 9.)

It will be noted that the provisions above referred to specifically authorize only banks to become members of the Federal Reserve System; and the laws do not appear to contain any provisions expressly authorizing a trust company engaged solely in the transaction of a trust business to become a member. Furthermore, it is understood, that there are no institutions of this general character which are now, or which have ever been, members of the System. Trust Companies, however, are permitted to do a banking business, and when they do engage in such a business in addition to their trust business they "shall, as to such business, have all the rights and benefits and be subject to all the applicable provisions of the general banking law." (P. A. 1929, Act 67, sec. 23; Banking Law Pamphlet, 1929, sec. 136, p. 68.) Accordingly, it would seem that trust companies transacting a banking business may become members of the Federal Reserve System.

Reserves of member fixed by Federal Reserve Act and not by State law.

The 1915 legislation also provided "That the amount of reserve required to be kept on hand by any such bank becoming a member bank under the said Federal Reserve Act shall be as fixed by said federal reserve act or any amendment thereto, and not as fixed by the provisions of this act." (P. A. 1887, Act 205, sec. 4 (7th), as amended by P. A. 1913, Act 11, and P. A. 1915, Act 25; Comp. Laws of 1897, sec. 6093 (7th), as amended.)

The section of the laws containing the above provisions was amended in 1917, 1919, 1925, and 1927; but none of these amendments changed the wording of the provisions in question.

In 1929, the legislature passed an act revising and codifying all the laws relating to banking, and although the wording of the above provision is changed slightly the effect of the provision remains the same. The 1929 legislation provides specifically "That the amount of reserve required to be kept on hand by any bank which is a member of the federal reserve system shall be as fixed by the federal reserve act or any amendment thereto, and not as fixed by the provisions of this act". (P. A. 1929, Act 66, sec. 21; Banking Law Pamphlet, 1929, sec. 30, p. 21.) As stated above, trust companies transacting a banking business apparently may become members of the Federal Reserve System; and the provisions under which they may become such members would also seem to authorize them to carry reserves in accordance with the above quoted reserve provision.

MINNESOTA.

Banks and trust companies permitted to become members of Federal Reserve Bank.

On March 6, 1915, an act of the legislature of this State was approved which provides that "Any incorporated State bank or trust company may become a member of the Federal Reserve Bank of the Federal Reserve District in which said bank or trust company is located and may invest in and hold stock therein". (Laws of 1915, Act approved March 6, 1915, ch. 28, sec. 1; Mason's Minnesota Statutes, 1927, sec. 7649; Banking Law Pamphlet, 1929, p. 23.)

No provisions permitting compliance with Federal Reserve Act reserve requirements in lieu of State law requirements.

The laws of this State do not appear to contain any provisions permitting State banks and trust companies which are members of the Federal Reserve System to maintain reserves required by the Federal Reserve Act in lieu of those required by State law.

MISSISSIPPI.Banks and trust companies permitted to become members of Federal Reserve System.

An act of the legislature of this State approved on March 9, 1914, provided that "no part of the stock of any bank, except regional reserve banks, doing business in this State, shall be owned by any bank under the provisions of this act". (Laws of 1914, ch. 124, Act approved March 9, 1914, sec. 64; Miss. Code, 1930, sec. 3821.)

In 1918, the legislature of this State legislated more specifically with reference to membership in the Federal Reserve System. That legislation provides that any State bank or trust company "shall have power to subscribe to the capital stock and become a member of a Federal Reserve Bank" created under the Federal Reserve Act. (Laws of 1918, ch. 248; Brown's Mississippi and Federal Statutes, 1925, sec. 87, p. 83; Miss. Code, 1930, sec. 3842.)

Reserves required by Federal Reserve Act may be maintained in lieu of reserves required by State law.

The 1918 legislation also provides that member banks and trust companies "shall comply with the reserve requirements of the Federal Reserve Act and its amendments, and the compliance of such bank or trust company therewith shall be in lieu of, and shall relieve such bank or trust company from, compliance with the provisions of the laws of this State relating to the maintenance of reserves." (Laws of 1918, ch. 248; Brown's Mississippi and Federal Statutes, 1925, sec. 88, p. 83; Miss. Code, 1930, sec. 3843.)

MISSOURI.Banks and Trust companies authorized to become members of Federal Reserve Bank.

In 1915, the General Assembly of this State enacted legislation which authorized every bank "to purchase and hold, for the purpose of becoming a member of a Federal reserve bank, so much of the capital stock thereof as will qualify it for membership in such reserve bank * * *; to become a member of such Federal reserve bank and to have and exercise all powers, not in conflict with the laws of this State, which are conferred upon any such member bank by the 'Federal reserve act' and any amendments thereto." (Laws of 1915, p. 132; Revised Stats., 1929, sec. 5354.) The 1915 legislation also contained similar provisions authorizing trust companies to join the Federal Reserve System.

(Laws of 1915, p. 165; Revised Stats. of 1929, sec. 5421; Banking Law Pamphlet, 1919, sec. 11789 (13) p. 98.) The section of the laws containing the provisions covering banks was amended by an act approved March 23, 1927, but the portion authorizing banks to become members of the Federal Reserve System is unchanged. (Revised Stats., 1929, sec. 5354; Laws of 1927, Act approved March 23, 1927, sec. 4. p. 219.)

Member banks and trust companies only required to maintain Federal Reserve Act reserves.

The General Assembly of 1915 also passed legislation to the effect that "any bank becoming a member of a federal reserve bank, and while it continues such member, shall be required to maintain only such reserves as are required by the Federal Reserve Act and any amendments thereto". (Laws of 1915, p. 155). This legislation also granted a similar permission to trust companies. (Laws of 1915, p. 177). The sections of the laws containing these provisions were amended in 1927, but the wording of the provisions in question is unchanged. (Revised Stats., of 1929, secs. a5360 and a5432; Laws of 1927, Act approved March 23, 1927, sec. 6, p. 227, and Act approved April 5, 1927, sec. 3, p. 242.)

MONTANA.

Banks and trust companies authorized to become members of Federal Reserve Bank.

By an act approved March 6, 1915, the legislature of this State provided that "Any bank is hereby authorized and empowered to join or associate itself with the National Reserve Association of the United States, or any branch thereof, and nothing herein contained shall prevent or prohibit any bank from joining or associating itself with any such association or branch thereof or from investing any part of its capital or surplus in the stock of such association or branch thereof, * * * ." (Laws of 1915, Act approved March 6, 1915, ch. 89, sec. 23). This legislation defined a "bank", wherever it was used therein, as including a trust company, so that trust companies apparently were also authorized to join the "National Reserve Association" by the above provision. (Laws of 1915, Act approved March 6, 1915, ch. 89, sec. 2).

The above quoted provisions were not amended until March 8, 1927, when an act revising and codifying the banking laws of this State was passed. The new banking code, however, does not

change the effect of either of the provisions, and the only change made in the provision authorizing banks and trust companies to join the Federal Reserve System, is to substitute the term "Federal Reserve Bank" for the term "National Reserve Association of the United States" and the word "Bank" for the word "association" wherever such term or words appeared in the 1915 provision. (Laws of 1927, Act approved March 8, 1927, ch. 89, se s. 28 and 2 ; Banking Law Pamphlet, 1927, sec. 28, p. 27, and sec. 2, p. 7.)

Compliance with reserve provisions deemed compliance with provisions of State law.

The act of March 6 also provided that any bank or trust company "which shall become a member of the Federal Reserve Bank Association, and shall in all respects comply with the rules and regulations of that association, shall be deemed to have complied with the provisions of this Act." (Laws of 1915, Act approved March 6, 1915, ch. 89, secs. 50 and 2.) It would seem that this provision authorized a compliance with the reserve provisions of the Federal Reserve Act in lieu of the provisions of the State law.

In 1917, the section of the Montana laws containing the above provision was amended (Laws of 1917, ch. 136, sec.1), but this provision remained unchanged; and in 1921, the section was further amended. This time the provision above quoted was changed so as specifically to provide that "a compliance with the federal reserve banking laws, rules and regulations by member banks (and trust companies) shall be held to be a compliance with the reserve requirements and conditions of this act, and entitle such Federal reserve member banks (and trust companies) to the rights and privileges accruing from a compliance with this act". (Laws of 1921, ch. 94, sec. 1.)

In 1927, this provision was again amended by an act approved March 8, 1927, revising and codifying the banking laws of this State, but the effect of the provision is the same. The new banking code provides in part that "a compliance with the Federal reserve banking laws, rules and regulations by member banks (and trust companies) shall be held to be a compliance with the reserve requirements and conditions of this Act". (Laws of 1927, Act approved March 8, 1927, ch. 89, secs. 53 and 2; Banking Law Pamphlet, 1927, sec. 53, p. 36, and sec. 2, p. 7.)

NEBRASKA.

Banks and trust companies authorized to become members, but not now expressly authorized to maintain reserves in accordance with Federal Reserve Act instead of in accordance with State law.

By an act approved April 12, 1915, the legislature of this State provided that "any bank or trust company, incorporated under the laws of this state shall have power to subscribe to the capital stock, and become a member, of a federal reserve bank * * * and shall have power to assume such liabilities and to exercise such powers as a member of such federal reserve bank as are prescribed by the provisions of said act, or amendments thereto; and, so long as such bank shall remain a member of the federal reserve system * * *, it shall be subject * * * to all provisions of said federal reserve act and regulations made pursuant thereto by the federal reserve board which are applicable to such banks as members of the federal reserve system; * * *". (Laws of 1915, Act approved April 12, 1915, ch. 175, sec. 1, p. 359.) That act made no specific mention of member banks and trust companies maintaining the reserves required by the Federal Reserve Act in lieu of those required by the State law.

Under date of March 19, 1919, an act of the legislature was approved repealing the above provisions; but, except for omitting any reference to a trust company and except for including a provision providing that a compliance by a bank with the reserve provisions of the Federal Reserve Act relieved such bank from complying with the reserve provisions of State law, this act read precisely the same as the 1915 provisions above quoted. (Laws of 1919, Act approved March 19, 1919, ch. 16, p. 77.) The 1919 act, with reference to reserves, specifically provided that "Any bank complying with the reserve requirements of the federal reserve act, and its amendments, shall be relieved from compliance with the provisions of the laws of this state relating to the maintenance of reserves".

On April 19, 1919, another act was approved which was entitled the "Civil Administrative Code", and which, although it repealed the Act of March 19, 1919, contained a section (section 64) reading the same as the repealed act read. In addition, the Act of April 19, 1919, contains a section (section 65) restoring to trust companies the right to join the Federal Reserve System; but it does not contain a provision similar to the provision which was included in section 64 relieving banks from complying with State law reserve requirements if they observed Federal Reserve

Act reserve requirements. (Laws of 1919, Act approved April 19, 1919, ch. 190, art. XVI, secs. 64 and 65, pp. 711 and 712.)

On April 14, 1921, an act was approved which repeals section 64 of the Act of April 19, 1919. This act retains the provisions authorizing banks to join the Federal Reserve System, but it does not retain the provision authorizing a compliance with the reserve requirements of the Federal Reserve Act in lieu of the reserve requirements of State law. (Laws of 1921, p. 953.)

No other amendments appear to have been made to the laws of this State covering membership in the Federal Reserve System and the reserves required of such members; and it appears that at the present time both banks and trust companies are authorized to subscribe to stock in and become members of a Federal reserve bank but that they are not specifically authorized to maintain reserves in accordance with the Federal Reserve Act instead of in accordance with State law. The present law on this subject will also be found in the 1929 Compiled Statutes of Nebraska, secs. 8-162 and 8-163, pp. 114 and 115.

NEVADA.

Banks and trust companies authorized to become members of Federal Reserve Bank.

In 1919, the legislature of this State enacted legislation which provides in part that any State bank or trust company "shall have the power to subscribe to the capital stock and become a member of a Federal Reserve Bank". (Acts of 1919, ch. 126, sec. 2, p. 241; Banking Law Pamphlet, 1927, sec. 2, p. 34.)

Federal Reserve Act reserves may be maintained in lieu of reserves required by State law.

The 1919 act also provides that a compliance by a member bank or trust company with the reserve requirements of the Federal Reserve Act "shall be held to be a full compliance with those provisions of the laws of this State which require banks or trust companies to maintain cash balances in their vaults or with other banks, and no such bank or trust company shall be required to carry or maintain reserve other than such as is required under the terms of the federal reserve act". (Acts of 1919, ch. 126, sec. 4, p. 241; Banking Law Pamphlet, 1927, sec. 4, p. 34.)

NEW HAMPSHIRE.

Trust companies may become members of Federal Reserve System by implication; expressly permitted to carry only Federal Reserve Act reserves.

The laws of this State do not contain any provisions expressly permitting either banks or trust companies to become members of the Federal Reserve System; but trust companies are impliedly given this right by legislation which was enacted in the year 1915, and which subjects them to the reserve requirements of the Federal Reserve Act instead of the State law reserve requirements. This legislation provides in part that "A trust company which becomes a stockholder in a federal reserve bank within the federal reserve district where such trust company is situated may have and exercise any and all of the corporate powers and privileges incident thereto, which may be exercised by member banks * * *; and while such trust company continues as a member bank under the provisions of said federal reserve act, or any acts in amendment thereof, it shall be subject to the provisions thereof relative to bank reserves", in substitution for the State law reserve requirements. (Laws of 1915, ch. 109, sec. 28; Pub. Laws, ch. 264, sec. 7; Banking Law Pamphlet, 1929, sec. 7, p. 32.)

NEW JERSEY.

Banks and trust companies authorized to purchase stock in Federal Reserve Bank.

In an act approved April 14, 1914, the legislature of this state provides that any State bank or trust company may become a member of the Federal reserve bank of the Federal reserve district in which such bank or trust company is located, and "may subscribe for, purchase, hold and surrender, from time to time, such amounts of the capital stock of such federal reserve bank as such trust company or state bank may deem advisable, or as may be required under said 'federal reserve act', or any amendment thereof, in order to obtain and continue such membership, and upon the purchase of such stock, to assume the liabilities and become entitled to the benefits recited in said 'federal reserve act!.'" (Laws of 1914, Act approved April 14, 1914, ch. 159, sec. 1; Banking Law Pamphlet, 1930, p. 136.)

Federal Reserve Act reserve requirements substituted for State law requirements.

In an act approved March 29, 1917, member banks and trust

companies are made "subject to the provisions of the federal reserve act and any amendments thereto relative to bank reserves, in substitution for the requirements of the laws of this State concerning bank reserves for trust companies or state banks not members of the federal reserve bank". (Laws of 1917, Act approved March 29, 1917, ch. 225, sec. 1; Banking Law Pamphlet, 1930, p. 137.)

NEW MEXICO.

Banks and trust companies authorized to purchase stock in Federal Reserve Bank.

By an act approved March 15, 1915, the legislature of this State provided that "Any incorporated State bank may apply to the Federal Reserve Board for the right to subscribe to the stock of the Federal Reserve Bank organized within the Federal Reserve District where the applicant bank is located, and may become a stockholder of such bank and exercise all of the powers of member banks in accordance with the provisions of the Act of Congress entitled 'Federal Reserve Act', approved December 23, 1913". (Laws of 1915, Act approved March 15, 1915, ch. 67, sec. 96.) The laws of this State designate the provisions covering banking as the "Bank Act" and provide that wherever the word "Bank" is used in the Act it includes trust companies. (Laws of 1915, ch. 67, sec. 2; New Mexico Statutes, Annotated, 1929, sec. 13-102; Banking Law Pamphlet, 1929, sec. 2, p. 5.)

In 1919, the legislature incorporated the above quoted provision in precisely the same language in other legislation it enacted covering member banks and trust companies. (Laws of 1919, ch. 120, sec. 35; New Mexico Statutes, Annotated, 1929, sec. 13-701; Banking Law Pamphlet, 1929, sec. 96, p. 32.)

Compliance with reserve requirements of Federal Reserve Act constitutes compliance with reserve requirements of State law.

In 1919, this State enacted legislation which provides that a compliance by a member bank or trust company "with the reserve requirements of the Federal Reserve Act shall be held to be a full compliance with these provisions of the laws of this State which require banks or trust companies to maintain cash balances in their vaults or with other banks, and no such bank or trust company shall be required to carry or maintain reserve other than such as is required under the terms of the Federal Reserve Act." (Laws of 1919, ch. 120, sec. 35; New Mexico Statutes, Annotated, 1929, sec. 13-702; Banking Law Pamphlet, 1929, sec. 97, p. 32.)

NEW YORK.Banks and trust companies authorized to purchase stock in Federal Reserve Bank.

In 1914, the laws of this State were amended so as to authorize a bank or trust company "To purchase and hold, for the purpose of becoming a member of a federal reserve bank, so much of the capital stock thereof as will qualify it for membership in such reserve bank * * *; to become a member of such federal reserve bank, and to have and exercise all powers, not in conflict with the laws of this state, which are conferred upon any such member bank by the federal reserve act". (Banking Law, sec. 106, subd. 4 and sec. 185, subd. 12; Laws of 1914, ch. 369, secs. 106 and 185; Banking Laws, 1930, sec. 106, p. 69, and sec. 185, p. 147.) Section 106 of the Banking Law was amended in 1918, 1919, 1921, and 1926, but none of these amendments changed the wording of the provision above quoted.

Compliance with Federal Reserve Act reserves deemed compliance with State law.

In 1914, the reserve laws covering banks were amended so as to provide that, "If any bank shall have become a member of a federal reserve bank, it may maintain as reserves on deposit with such federal reserve bank such portion of its total reserves as shall be required of members of such federal reserve bank; and if such bank has an office in a borough having a population of two millions or over, the remainder of its total reserves shall be carried as reserves on hand." (Banking Law, sec. 112, subd. 3; Laws of 1914, ch. 369.)

Subd. 3 of sec. 112 of ch. 369 of the Laws of 1914 was amended by ch. 579 of the Laws of 1917, effective May 21, 1917, but this amendment did not change the wording of the provision quoted above.

Subd. 3 of sec. 112 of ch. 369 of the Laws of 1914 as amended by ch. 579 of the Laws of 1917, was again amended by ch. 92 of the the Laws of 1918, effective March 27, 1918, to read as follows:

" * * * if any bank shall have become a member of a federal reserve bank, it may maintain as reserves on hand with such federal reserve bank such portion of its total reserves as shall be required of members of such federal reserve bank."

The provisions of the section quoted above were further amended by ch. 35, Laws of 1919, effective March 6, 1919, to read:

" * * * but, if any bank shall have become a member of a federal reserve bank, it shall maintain such reserves with such federal reserve bank as are required by the federal reserve act and so long as it complies with the requirements of such federal reserve act with reference to reserves shall be exempt from the preceding provisions of this section."

There have been no changes in subd. 3 of sec. 112 of ch. 369 of the Laws of 1914 since 1919.

In 1914 the reserve laws covering trust companies were also amended so as to provide that "If any trust company shall have become a member of a federal reserve bank, it may maintain as reserves on deposit with such federal reserve bank such portion of its total reserves as shall be required of members of such federal reserve". (Banking Law, sec. 197, subd. 3; Laws of 1914, ch. 369.)

The provisions of subd. 3 of sec. 197 of ch. 369 of the Laws of 1914 were also amended by ch. 579 of the Laws of 1917, effective May 21, 1917, but this amendment did not change the wording of the provision above quoted.

Subd. 3 of sec. 197 of ch. 369 of the Laws of 1914 as amended by ch. 579 of the Laws of 1917, was further amended by ch. 92 of the Laws of 1918, effective March 27, 1918, to read in part:

" * * * if any trust company shall have become a member of a federal reserve bank, it may maintain as reserves on hand with such federal reserve bank such portion of its total reserves as shall be required of members of such federal reserve bank."

The provisions of the section quoted above were further amended by ch. 35 of the Laws of 1919, effective March 6, 1919, to read in part:

" * * * but if any trust company shall have become a member of a federal reserve bank, it shall maintain such reserves with such federal reserve bank as are required by the federal reserve act and so long as it complies with the requirements of such federal reserve act with reference to reserves shall be exempt from the preceding provisions of this section."

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There have been no changes in subd. 3 of sec. 197 of ch. 369 of the Laws of 1914 since 1919.

NORTH CAROLINA.

Banks and trust companies receiving deposits authorized to become members of Federal Reserve System.

The legislature of this State did not enact legislation specifically permitting banks and trust companies to become members of the Federal Reserve System until March 10, 1919, when an act was ratified providing "That any bank or trust company incorporated under the laws of this State shall have the power to subscribe to the capital stock and become a member of a Federal Reserve Bank". (Public Laws of 1919, ch. 252, sec. 2, p. 461.)

On February 18, 1921, another act was ratified which repeals the above quoted provision and which provides "That any bank

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incorporated under the laws of this State shall have the power to subscribe to the capital stock and become a member of a Federal Reserve Bank". (Public Laws of 1921, ch. 4, sec. 42, p. 91; North Carolina Code, 1927, Ann., sec. 220(q), p. 63; Banking Law Pamphlet, 1927, sec. 220(q), p. 25.)

The 1921 act further provides that "The words 'member bank' shall be held to mean any National or State bank or bank and trust company which has become or which becomes a member of one of the Federal Reserve Banks created by the Federal Reserve Act". (public Laws of 1921, ch. 4, sec. 42, p. 91; North Carolina Code, 1927, Ann., sec. 220(q); Banking Law Pamphlet, 1927, sec. 220(q), p. 25.) The laws of North Carolina also provide that "The term 'bank' when used in this act shall be construed to mean any corporation, partnership, firm, or individual receiving, soliciting, or accepting money or its equivalent on deposit as a business: Provided, however, this definition shall not be construed to include * * * trust companies not receiving money on deposit." (North Carolina Code, 1927, Ann., sec. 216(a); Banking Law Pamphlet, 1927, sec. 216(a), p. 3.) In view of these definitions, it would seem that the right of trust companies, at least, trust companies receiving deposits, to join the Federal Reserve System is not taken away by the above quoted provision of the 1921 act, even though that act specifically authorizes only banks to become members and repeals the original enactment (1919) which expressly authorized both banks and trust companies to join the System.

Members of Federal Reserve System only required to maintain Federal Reserve Act reserves.

In an act which was ratified on February 19, 1919, the General Assembly of this State provided that "Any bank that is now or may hereafter become a member of a Federal Reserve Bank shall maintain the same reserves with respect to deposits as shall be required of other members of such Federal Reserve Bank." (Public Laws of 1919, Ch. 58, sec. 1, p. 77.)

An additional provision covering reserves of members of the Federal Reserve System was also included in an act which was ratified on March 10, 1919. That act provided that "A compliance on the part of any such bank or trust company with the reserve requirements of the Federal Reserve Act shall be held to be a full compliance with those provisions of the laws of this State which require banks or trust companies to maintain cash balances in their vaults or with other banks, and no such bank or trust company shall be required to carry or maintain reserve other than such as is required under the terms of the Federal Reserve Act". (Public Laws of 1919, ch. 252, sec. 4. p. 462.)

Both of the above quoted reserve provisions are repealed by an act which was ratified on February 18, 1921 (Public Laws of 1921, ch. 4, sec. 31, p. 83, and sec. 42, p. 92; North Carolina Code, 1927, Ann. sec. 220(f), p. 60, and sec. 220(g), p. 62; Banking Law Pamphlet, 1927, sec. 220(f), p. 21, and sec. 220(g), p. 25.) However, this act incorporates almost word for word the provision of the act which was ratified on February 19, 1919; and, it substantially incorporates also the language of the provision which was ratified on March 10, 1919, although it fails to make any express mention of a trust company. This failure to mention a trust company, however, does not take away the right of a member trust company receiving deposits to carry reserves in accordance with the requirements of the Federal Reserve Act instead of in accordance with the requirements of State law, because if the definitions set forth above permit such company to become a member of the Federal Reserve System under the membership provisions they obviously permit such company also, if it is a member, to carry reserves in the same manner as a member bank under the reserve provisions of the 1921 act.

NORTH DAKOTA.

Banks expressly permitted to become members of Federal Reserve System.

An act approved February 10, 1915 contains provisions prohibiting a bank from using its assets in certain investments, but these provisions provide that such prohibitions "shall not be construed as in any way preventing a bank from investing such part of its funds in stock of the Federal reserve bank of this district as may be necessary to become a member of the Federal Reserve Association and from carrying such stock among its assets." (Laws of 1915, Act approved February 10, 1915, ch. 54, sec. 1; Supplement to the 1913 Compiled Laws of North Dakota, (1913-1925), sec. 5187; Banking Law Pamphlet, 1929, sec. 5187 Supp., p. 25.)

No provisions specifically authorizing trust companies to purchase stock in Federal Reserve Banks.

The laws of this State do not appear to contain any provisions specifically permitting or authorizing trust companies to become members of the Federal Reserve System, and it is understood that at the present time there are no trust companies in this State which are members of the System; nor have such companies been members at any time in the past.

No provisions permitting compliance with reserve requirements of Federal Reserve Act in lieu of requirements of State Law.

There are no provisions in the laws of this State under which a State member bank may carry the reserves prescribed by the Federal Reserve Act in lieu of the reserves prescribed by State law.

OHIO.

Banks and trust companies authorized to join Federal Reserve System.

By an Act approved February 17, 1914, the Legislature of this State authorized every Ohio corporation having power to receive and receiving money on deposit, except building and loan associations, to become members of the Federal Reserve System, the provisions in this connection providing that any such corporation "in addition to the powers, rights and privileges possessed by it under the laws of Ohio shall have the right and power to become a member bank under the Federal Reserve Act upon the terms and conditions set forth in said Federal Reserve Act, or hereafter provided by law, in order to become a member bank as contemplated by said Federal Reserve Act". (Laws of 1914, Act approved February 17, 1914, sec. 2).

On April 11, 1919, a new banking Code for this State was approved, and provisions covering membership similar to those referred to above are included in the Code. The Code specifically provides in part that "Every bank, in addition to the powers, rights and privileges possessed by it under the laws of Ohio shall have the right and power to become a member bank under the federal reserve act upon the terms and conditions set forth in said federal reserve act, or hereafter provided by law. Every bank which becomes a member bank shall have the right and power to do everything required of or granted by said federal reserve act to member banks which are organized under state laws; * * * ". (General Code of Ohio, sec. 710-5; Banking Law Pamphlet, 1928, sec. 710-5, p. 7.)

The laws also provide that "The term 'Bank' shall include any person, firm, association, or corporation soliciting, receiving or accepting money, or its equivalent, on deposit as a business, whether such deposit is made subject to check or is evidenced by a certificate of deposit, a pass-book, a note, a receipt, or other writing, and unless the context otherwise requires as used in this act includes commercial banks, savings banks, trust companies and unincorporated banks; * * * ". (General Code of Ohio, sec. 710-2; Banking Law Pamphlet, 1928, sec. 710-2, p. 5.) Trust companies, therefore, may become members of the Federal Reserve System, under

the above quoted provisions of the 1919 banking code.

Members may keep Federal Reserve Act reserves in lieu of those required by State law.

The act approved February 17, 1914, contained a provision to the effect that a compliance by member banks and trust companies with the reserve requirements of the Federal Reserve Act "shall be accepted in lieu of the reserve requirements provided by the laws of Ohio". (Laws of 1914, Act approved February 17, 1914, sec. 2.)

The new 1919 Banking Code also incorporates word for word the 1914 provisions relating to reserve requirements. (General Code of Ohio, sec. 710-5; Banking Law Pamphlet, 1929, sec. 710-5, p. 7.)

OKLAHOMA.

Banks and trust companies authorized to become members of Federal Reserve Bank.

In 1921, legislation was enacted in this State authorizing State banks and trust companies to join the Federal Reserve System. This legislation provides in part that any State bank or trust company "shall have power to subscribe to the capital stock and become a member of the Federal Reserve Bank". (Laws of 1921, p. 143; Comp. Oklahoma Statutes., 1921, sec. 4156; Banking Law Pamphlet, 1927, sec. 49, p. 34.)

Compliance with Federal Reserve Act reserve requirements deemed compliance with State law requirements.

The 1921 legislation also provides that a compliance by a member bank or trust company "with the reserve requirements of the Federal Reserve Act shall be held to be a full compliance with those provisions of the laws of this State which require banks or trust companies to carry or maintain reserve other than such as is required under the terms of the Federal Reserve Act". (Laws of 1921, p. 143; Comp. Oklahoma Statutes, 1921, sec. 4158; Banking Law Pamphlet, 1927, sec. 51, p. 34.)

OREGON.

Banks and trust companies authorized to become members of Federal Reserve Bank.

In 1915, the laws of this State covering banks were amended so as to authorize state banks to purchase stock in and become members of a

F. R. Bank. That legislation provided that such banks shall have the power "To purchase and hold for the purpose of becoming a member of a F. R. Bank so much of the capital stock thereof as will qualify it for membership in such Federal Reserve Bank * * *." (Laws of 1915, ch. 285, sec. 2.) It was also provided that "Hereafter no State bank shall invest any of its assets in the capital stock of any other corporation except in the capital stock of a Federal Reserve Bank, * * *." (Laws of 1915, ch. 285, sec. 8.)

In 1917, the laws covering trust companies were amended so as to grant an authority to such companies to become members of the F. R. System similar to the authority contained in the provisions above quoted covering banks. (Laws of 1917, ch. 197, secs. 10 and 22.)

Sections 2 and 8, chapter 285, of the laws of 1915, covering banks were amended in 1917 (Laws of 1917, ch. 122, sec. 1.) and 1919 (Laws of 1919, ch. 250, sec. 1.), respectively; but neither of these amendments changed the wording of the membership provisions.

In 1925, legislation was enacted which specifically repealed the provisions above referred to but which at the same time incorporated provisions substantially the same as the repealed provisions. (Laws of 1925, ch. 207, secs. 39, 81, 98 (b) and 100; Banking Law Pamphlet, 1925, sec. 39, p. 14, sec. 81, p. 28, sec. 98 (b), p. 35, and sec. 100, p. 36.) Section 100 of the 1925 laws was amended in 1927 (Laws of 1927, ch. 417, sec. 1), and section 39 was amended in 1929 (Laws of 1929, ch. 380, sec. 8.); but neither of these amendments alter the effect of the 1925 membership provisions.

State reserve requirements not applicable to members of Federal Reserve System.

Prior to 1919, the laws of this State did not contain any provisions permitting member banks and trust companies to carry the reserves prescribed by the Federal Reserve Act in lieu of the reserves required by the State law; but member banks, by legislation enacted in 1915 (Laws of 1915, ch. 285, sec. 9) and trust companies, by legislation enacted in 1917 (Laws of 1917, ch. 197, sec. 25.), were permitted to "maintain as reserve deposits with the Federal reserve bank such portion of its (their) total reserve as shall be required by members of the Federal Reserve System". In 1919, however, legislation was enacted striking out the provisions just quoted and providing that the provisions setting out the amounts of reserves which State banks and trust companies were required to maintain "shall not apply to a State bank (or trust company) which is a member of the Federal Reserve Banking System and duly complies with all of the reserve and other requirements of that System". (Laws of 1919, ch. 8, sec. 1, and ch. 411, sec. 1.) The sections of the laws containing these provisions were amended in 1921, but the wording of the provisions was not changed. (Laws of 1921, ch. 187, and 188.)

In 1925, legislation was passed which repeals the 1919 provisions, as amended in 1921, and provides that "a compliance on the part of any such (member) bank or trust company with the reserve requirements of the Federal Reserve Act shall be held to be a full compliance with those provisions of the laws of this state which require banks or trust companies to maintain cash balances in their vaults or with other banks, and no such bank or trust company shall be required to carry or maintain reserve other than such as is required under the terms of the Federal Reserve Act". (Laws of 1925, ch. 207, sec. 98(d); Banking Law Pamphlet, 1925, sec. 98(d), p. 36.). With reference to savings banks or departments, this legislation also provides that "If any savings bank, or the savings department of any bank or trust company, shall have become a member of the federal reserve system, it shall comply with the reserve requirements of the federal reserve act and its amendments, and its compliance therewith shall be in lieu of and shall relieve such bank or savings department of any bank or trust company from compliance with the provisions of this act as to such reserves". (Laws of 1925, ch. 207, sec. 134; Banking Law Pamphlet, 1925, sec. 134, p. 51.)

The 1925 legislation also contained an additional provision which read substantially the same as the above quoted portion of section 98(d) (Laws of 1925, ch. 207, sec. 92; Banking Law Pamphlet, 1925, sec. 92, p. 33.); and although the section which contained this additional provision was amended by an act approved March 9, 1929, the wording of the 1925 provision is unchanged. (Laws of 1929, ch. 478, sec. 1, Act approved March 9, 1929.)

PENNSYLVANIA.

Banks and trust companies authorized to become members of Federal Reserve Bank.

In an act of July 17, 1917, authority is given to a State bank or trust company "to subscribe to the capital stock and become a member of a Federal Reserve Bank * * *". (Act of July 17, 1917, P.L. 1021, sec. 1; Purdon's Penna. Statutes, Annotated, Title 7, ch. 12, sec. 371, p. 114; Banking Laws, 1930, art. 11, sec. 464, p. 253.)

Members shall maintain reserves required by Federal Reserve Act.

It is also provided in the act of July 17, 1917, that a member bank or trust company "shall comply with the reserve requirements of the Federal Reserve Act and its amendments, and the compliance of such bank or trust company therewith shall be in lieu of, and shall relieve such bank or trust company from, compliance with the provisions of the laws of this Commonwealth relating to the maintenance of reserves". (Act of July 17, 1917, P. L. 1021, sec. 3; Purdon's Penna. Statutes, Annotated, Title 7, ch. 12, sec. 373; p. 114; Banking Laws, 1930, art. 11, sec. 466, p. 253.)

RHODE ISLAND.Banks and trust companies authorized to become members of Federal Reserve Bank.

On April 19, 1917, an act of the legislature of this State was approved which provides that "A bank or trust company may subscribe to the capital stock and become a member of a Federal reserve bank within the Federal reserve district where such bank or trust company is situated * * *. Such member bank or trust company shall be subject to the provisions of said 'Federal Reserve Act' relative to member banks, and to the regulations of the 'Federal Reserve Board'. Every such member bank or trust company may have and exercise any and all of the powers and privileges which may be exercised by member banks under the provisions of said 'Federal Reserve Act'". (Acts of 1917, Act approved April 19, 1917, ch. 1514, sec. 1; Banking Law Pamphlet, 1929, sec. 9, p. 20.)

No provisions specifically authorizing compliance with reserves prescribed by Federal Reserve Act in lieu of those prescribed by State law.

The laws of this State do not contain any provisions specifically authorizing banks and trust companies which are members of the Federal Reserve System to maintain the reserves prescribed by the Federal Reserve Act in lieu of those prescribed by the State law.

SOUTH CAROLINA.Banks and trust companies authorized to become members of "National Reserve Association of the United States".

On February 18, 1914, the legislature of this State passed an act authorizing State banks and trust companies to become members of the Federal Reserve System. This act provides that any State bank or trust company "may associate itself with any national reserve association of the United States, or any branch thereof under any law now existing, or hereafter enacted by the Congress of the United States; and may invest such part of its capital or surplus therein as may be necessary to acquire and preserve its membership in such association.", (Laws of 1914, Act of February 18, 1914, sec. 1; Code of South Carolina, 1922, sec. 4002; Banking Law Pamphlet, 1928, sec. 75, p. 36.)

No provisions expressly authorizing compliance with reserves prescribed by Federal Reserve Act in lieu of reserves prescribed by State law.

The laws of this State do not contain any provisions expressly authorizing State banks and trust companies which are members of the Federal Reserve System to carry the reserves prescribed by the Federal Reserve Act in lieu of those prescribed by the State law; but the reserve required of banks is 3 per cent of time deposits and 7 per cent of demand deposits, which may consist of cash on hand or in banks. (Laws of 1923, ch. 112, p. 159.) A compliance with the reserve requirements of the Federal Reserve Act, therefore, is in effect a compliance with the State law.

SOUTH DAKOTA.

Banks and trust companies doing banking business authorized to become members of Federal Reserve Bank.

By legislation enacted in 1915, any State bank was authorized to "become a member of a federal reserve bank, pursuant to the provisions of the federal reserve act, and any act of congress supplemental thereof, and after becoming such member and shareholder it may comply with and shall be subject to said federal reserve act and such other acts of congress, anything in the laws of this state to the contrary notwithstanding". (Laws of 1915, ch. 102, art. 2).

In 1919, this provision was amended so that it now provides that any State bank "may become a member of a federal reserve bank, pursuant to the provisions of the federal reserve act, and any act of congress supplemental thereto or amendatory thereof, and after becoming such member and shareholder it may comply with such federal reserve act and such other acts of congress, provided that such state bank shall nevertheless be subject to and comply with all the laws of this state relating to banks". (Laws of 1919, ch. 125, p. 110; Comp. Laws, South Dakota, 1929, sec. 8983; Banking Law Pamphlet, 1927, sec. 8983, p. 27.)

The laws of this State provide that no trust company may "invest any of its funds in the stock of any other trust company or corporation". (Laws of 1911, ch. 255, sec. 21; Comp. Laws, South Dakota, 1929, sec. 9050; Banking Law Pamphlet, 1927, sec. 9050, p. 68); and it will be noted that the laws specifically authorize only banks to become members of the Federal Reserve System. In view of the fact, however, that the laws

permit trust companies to transact a banking business (Laws of 1911, ch. 255, sec. 2; Comp. Laws, South Dakota, 1929, sec. 9033; Banking Law Pamphlet, 1927, sec. 9033, p. 62), and provide that "For the purpose of this chapter every corporation, association, firm or individual in this State whose business, in whole or in part, consists in the taking of deposits or buying or selling exchange shall be held to be a bank". (Laws of 1915, ch. 102, sec. 1; Comp. Laws, South Dakota, 1929, sec. 8948; Banking Law Pamphlet, 1927, sec. 8948, p. 15), it would seem that trust companies which receive deposits or buy or sell exchange are authorized to become members of the Federal Reserve System.

No provisions authorizing compliance with reserve provisions of Federal Reserve Act in lieu of provisions of State law.

The laws of this State do not contain any provisions authorizing member banks and trust companies to observe the reserve requirements of the Federal Reserve Act instead of the requirements of the State law.

TENNESSEE.

Banks and trust companies authorized to become members of Federal Reserve Bank.

In 1919, the General Assembly of Tennessee enacted legislation which provides that "Any bank or trust company, incorporated under the laws of this state is authorized and shall have power to subscribe, take and pay for, as a part of its investments, shares of the capital stock of a federal reserve bank and to become a member of such federal reserve bank created and organized under the Act of Congress of the United States, approved the 23d day of December, A. D. 1913, and known as the Federal Reserve Act, and its amendments". (Baldwin's Cumulative Code Supplement, sec. 3235a-1; Public Acts, 1919, ch. 26, sec. 1.) This legislation also provides that "any investment heretofore made by any bank or trust company incorporated under the laws of this state in the capital stock of any federal reserve bank of the character mentioned in section 3235a-1, is hereby authorized and validated". (Baldwin's Cumulative Code Supplement, sec. 3235a-2; Public Acts, 1919, ch. 26, sec. 2.)

Additional legislation was enacted in 1919 which provides in part that "Any bank or trust company, incorporated under the laws of this State, shall have the power to subscribe to the capital stock and become a member of a Federal Reserve Bank". (Public Acts, 1919, ch. 69, sec. 2; Baldwin's Cumulative Code Supplement, sec. 3235a-4.)

Members to keep Federal Reserve Act reserves in lieu of reserves required by State law.

The 1919 legislation also provides that a compliance by a member bank or trust company "with the reserve requirements of the Federal Reserve Act shall be held to be a full compliance with those provisions of the laws of this State which require banks or trust companies to maintain cash balances in their vaults or with other banks, and no such bank or trust company shall be required to carry or maintain reserve other than such as is required under the terms of the Federal Reserve Act". (Public Acts, 1919, ch. 69, sec. 4; Baldwin's Cumulative Code Supplement, sec. 3235-6.)

TEXAS.

Banks and trust companies authorized to become members of Federal Reserve Bank.

An act passed in 1914, by the Third Called Session of the Thirty-third Legislature of this State, provides that all State banks

and trust companies "shall have authority to become members of Federal Reserve Banks under the terms and limitations as may be prescribed by the laws of the United States and such rules and regulations relative thereto as may be promulgated by lawful authority". (Acts 1914, Third Called Session, sec. 1; Baldwin's Texas Statutes, Art. 519; Banking Law Pamphlet, 1929, art. 519, p. 46.)

No provisions authorizing compliance with reserve provisions of Federal Reserve Act in lieu of provisions of State law.

The laws of this State do not appear to contain any provisions authorizing banks and trust companies which are members of the Federal Reserve System to maintain reserves in accordance with the provisions of the Federal Reserve Act instead of the provisions of the State law.

UTAH.

Banks and trust companies authorized to become members of Federal Reserve System.

In 1915, the legislature of this State passed legislation which, while not expressly mentioning a Federal reserve bank, authorized a State bank or trust company to purchase, own and hold shares of the capital stock of any other bank, trust company or other corporation. (Session Laws of 1915, ch. 47, sec. 1.)

In 1919, the legislature passed another act covering membership of banks and trust companies in the Federal Reserve System. This act expressly authorizes a bank or trust company to become a member of the Federal Reserve System, by providing that "any bank or trust company incorporated under the laws of this State shall have the power to subscribe to the capital stock and become a member of a Federal Reserve System created and organized under an Act of Congress of the United States and known as the Federal Reserve Act". (Laws of 1919, ch. 19, sec. 1; Banking Law Pamphlet, 1927, sec. 1, p. 21.)

Compliance with reserve requirements of Federal Reserve Act relieves compliance with State law.

The 1919 act also provides that "Any such bank or trust company shall comply with the reserve requirements of the Federal Reserve Act and its amendments, and the compliance of such bank or trust company therewith shall be in lieu of, and shall relieve such bank or trust company from compliance with the provisions of the laws of this State relating to the maintenance of reserves". (Laws of 1919, ch. 19, sec. 3; Banking Law Pamphlet, 1927, sec. 3, p. 21.)

VERMONT.Banks and trust companies authorized to become members of Federal Reserve Bank.

In an act approved February 21, 1919, the General Assembly of this State provides that "a bank or trust company incorporated under the laws of this State shall have the power to subscribe to the capital stock and become a member of a Federal reserve bank". (Laws of 1919, Act No. 143, approved February 21, 1919, sec. 2.)

Federal Reserve Act Reserves may be maintained in lieu of reserves required by State law.

In 1919 legislation also provides that a compliance by a member bank or trust company "with the reserve requirements of the Federal Reserve Act shall be held to be a full compliance with those provisions of the laws of this State which require banks or trust companies to maintain cash balances in their vaults or with other banks, and no such bank or trust company shall be required to carry or maintain reserve other than such as is required under the terms of the Federal Reserve Act". (Laws of 1919, Act No. 143, approved February 21, 1919, sec. 4.)

VIRGINIA.Banks and trust companies authorized to become members of Federal Reserve System.

On March 2, 1914, an act of the legislature of this State was approved in which banks were "empowered to become member banks of the federal reserve banks of the United States, * * *". (Acts of 1914, Act approved March 2, 1914; Ch. 27, sec. 1, p. 42.)

Apparently the 1914 provision continued in effect until March 27, 1928, when another act was approved "to revise, collate and codify into one act the general statutes of the Commonwealth relating to banks and banking, which act shall constitute and be designated and cited as the Virginia banking act, and to repeal all Code sections and all acts and parts of acts inconsistent therewith, and to provide penalties for the violations thereof". The 1928 act, however, does not affect the right of banks to become members of the Federal Reserve System, but merely contains a more elaborate provision on the subject, the provision in this connection stating that "Any bank heretofore or hereafter incorporated under

"the laws of this State, may if it so elect, become a member bank of the Federal Reserve Bank System of the United States, subject to the provisions of the act of Congress of the United States, approved December twenty-third, nineteen hundred and thirteen, and of any amendments thereof permitting it to do so, and shall be vested with all powers conferred upon State member banks of the said System by terms of the said act or acts, which shall be exercised subject to all restrictions and limitations imposed by the said Federal Reserve Act or Acts, or by regulations of the Federal reserve board made pursuant thereto * * * ". (Acts of 1928, Act approved March 27, 1928, Ch. 507, Title 1, sec. 7, p. 1310; Michie's Va. Code of 1930, ch. 164A, Title 1, sec. 4149(7), p. 1046.)

It will be noted that the laws only specifically permit banks to become members of the Federal Reserve System; but in view of the fact that the word "bank", as defined in the laws, includes trust companies, they also are apparently authorized to become members under the above quoted provisions. (Michie's Va. Code of 1930, ch. 164A, Title 1, secs. 4149 (1) and 4149 (2), p. 1044.)

Compliance with reserve requirements of Federal Reserve Act authorized.

The laws of Virginia provide "that when any bank has become a member of the Federal reserve bank system, it shall be required to comply with the reserve requirements of the Federal reserve act". (Act of 1928, sec. 34.)

WASHINGTON.

Banks and trust companies authorized to become members of Federal Reserve Bank.

In 1915 the legislature of this State passed an act in which it was provided that "No bank shall subscribe for or purchase the stock of any other banking corporation, except a Federal reserve bank of which such bank shall become a member, and then only to the extent required by such Federal reserve bank". (Laws of 1915, ch. 35, sec. 5, p. 128.)

In 1917, additional legislation having reference to membership in the Federal Reserve System was enacted. This legislation provided "That any bank or trust company may participate in membership in the federal reserve banking system of the United States * * * ". (Laws of 1917, ch. 80.)

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The 1915 provision above referred to was also amended in 1917 so as to provide that a bank or trust company shall not "subscribe for or purchase the stock of any other banking house or trust company, except a federal reserve bank, of which such corporation shall become a member, and then only to the extent required by such federal reserve bank". (Laws of 1917, ch. 80.)

The section of the laws containing the 1917 provision first above referred to was again amended in 1919, but the wording of the 1917 provision is not changed. (Laws of 1919, sec. 7, p. 730; Banking Law Pamohlet, 1929, sec. 25, p. 12.) In 1929, the 1917 provision last above referred to was also amended, and although this legislation inserted some few additional words, the right of banks and trust companies to purchase stock in a Federal reserve bank is not affected. (Laws of 1929, sec. 5, p. 101; Banking Law Pamphlet, 1929, sec. 46, p. 25). The 1929 provision specifically provides that a bank or trust company shall not "subscribe for or purchase the stock of any other banking house or trust company, or of any domestic or foreign corporation of any character, except a federal reserve bank, of which such corporation shall become a member, and then only to the extent required by such federal reserve bank".

State reserve requirements not applicable to members.

By legislation enacted in 1917, the legislature of this State provides that the State reserve requirements "shall not apply to a corporation which is a member of the federal reserve banking system and duly complies with all of the reserve and other requirements of that system". (Laws of 1917, ch. 80, sec. 46; Banking Law Pamphlet, 1929, sec. 61, p. 29.)

WEST VIRGINIA.

Banks and trust companies authorized to become members of Federal Reserve Bank.

In 1919 the legislature of this State passed legislation providing that "any bank or trust company incorporated under the laws of this state shall have the power to subscribe to the capital stock and become a member of a federal reserve bank". (Acts of 1919, ch. 60.)

In 1929, legislation was enacted which repeals the 1919 provisions; but included in the 1929 legislation are membership provisions of exactly the same effect as the repealed provisions. The

1929 act specifically provides in part that "Any banking institution incorporated under the laws of this State shall have the power to subscribe to the capital stock and become a member of a federal reserve bank". (Acts of 1929, ch. 23, sec. 20; Code of 1931, ch. 31, Act 8, sec. 17.)

It will be noted that the 1929 act expressly authorizes only "banking institutions" to become members of the Federal Reserve System; but this act, in defining the term "banking institution", provides that it shall include a trust company. (Acts of 1929, ch. 23, sec. 1; Code of 1931, ch. 31, Act 4, sec. 1.) It would seem, therefore, that a trust company may become a member of the Federal Reserve System under the above quoted provision of the 1929 act.

Reserves maintained in accordance with provisions of Federal Reserve Act held compliance with provisions of State law.

The 1919 legislature passed legislation providing that a compliance by member banks and trust companies "with the reserve requirements of the Federal Reserve Act shall be held to be a full compliance with those provisions of the laws of this State which require banks or trust companies to maintain cash balances in their vaults or with other banks, and no such bank or trust company shall be required to carry or maintain reserve other than such as is required under the terms of the federal reserve act". (Acts of 1919, ch. 60)

On February 28, 1929, the legislature of this state passed an act which repeals the 1919 reserve provision above quoted. This act, however, includes a provision excepting member banks and trust companies from complying with the reserve provisions of the State law which is substantially the same as the provision which it repealed, the provision in this connection providing "that a compliance on the part of any such banking institution which is a member of the federal reserve system with the reserve requirements of the federal reserve act, shall be held to be full compliance with the provisions hereof, which require banking institutions to maintain cash balances in their vaults or with other banks and no such member bank shall be required to carry or maintain reserve other than such as is required under the terms of the federal reserve act". (Acts of 1929, ch. 23, sec. 19; Code of 1931, ch. 31, Act. 8, sec. 16.)

The 1929 act also contains an additional reserve provision which provides that "A compliance on the part of any such banking institution with the reserve requirements of the federal reserve act shall be held to be a full compliance with those provisions of the laws of this state which require state banking institutions to carry or maintain reserve other than such as is required under the terms of the federal reserve act". (Acts of 1929, ch. 23, sec. 20; Code of 1931, ch. 31, Act. 8, sec. 16.)

WISCONSIN.Banks and trust companies authorized to become members of Federal Reserve Bank.

In 1915, the laws of this State covering the powers of banks were amended so as to authorize a bank "To purchase and hold, for the purpose of becoming a member of federal reserve bank, so much of the capital stock thereof as will qualify it for membership in such reserve bank * * * ; to become a member of such federal reserve bank, and to have and exercise all powers, not in conflict with the laws of this state, which are conferred upon any such member bank by the 'federal reserve act' ". (Laws of 1915, ch. 76, p. 67.)

In 1921, the above provision was repealed but the new legislation incorporates a provision reading substantially the same as the former provision. The new act specifically provides in part that "Any bank may purchase and hold, for the purpose of becoming a member of the federal reserve bank, so much of the capital stock thereof as will qualify it for membership in such reserve bank * * * ; may become a member of such federal reserve bank, and may have and exercise all powers, not in conflict with the laws of this state, which are conferred upon any such member bank by the 'Federal Reserve Act'. Such member bank and its directors, officers, and stockholders shall continue to be subject, however, to all liabilities and duties imposed upon them by any law of this state". (Laws of 1921, ch. 555, p. 923; Wisc. Statutes, 1929, sec. 221.04 (3), p. 1790; Banking Law Pamphlet, 1925, sec. 221.04 (3), p. 28.)

It will be noted that all of the above provisions expressly permit only "banks" to become members of the Federal Reserve System; but, as the laws also provide for the organization of "trust company banks" under the same provisions under which banks may be organized, and, except in two irrelevant instances, subject such companies to all the provisions, requirements and liabilities covering banks, it would seem that such "trust company banks" may also become members of the Federal Reserve System. Furthermore, the following provisions specifically dealing with the reserve requirements of member banks and trust companies recognize that trust companies may join the Federal Reserve System.

Member banks and trust companies only required to carry reserves prescribed by Federal Reserve Act.

The legislature of this State did not permit member banks

and trust companies to carry the reserves prescribed by the Federal Reserve Act until the year 1925, when it passed an act which provides that "any bank or trust company, incorporated under the laws of this state which is or hereafter may become a member of the federal reserve bank system of the United States of America shall be required to carry during the period of such membership only such cash reserve funds as may be required from time to time to be maintained by national bank members of said federal reserve bank system". (Laws of 1925, ch. 292, sec. 2; Wisconsin Statutes, 1929, sec. 221.27; Banking Law pamphlet, 1925, sec. 221.27, p. 38.)

WYOMING.

Banks and trust companies authorized to become members of Federal Reserve Bank.

An act of this State approved February 19, 1919, provides that banks and trust companies may "subscribe to the capital stock and become a member of a Federal Reserve Bank". (Laws of 1919, ch. 45, sec. 2; Wyoming Comp. Stats., 1920, sec. 5206.)

Members only required to maintain reserves prescribed by Federal Reserve Act.

Legislation enacted in 1925 provides that any state bank that is a member of the Federal Reserve System shall be required to keep only such reserve as is required by the Federal Reserve Act for national banks. (Laws of 1925, ch. 157, sec. 39.)

In 1927, the 1925 legislation was amended but the provision permitting members to maintain only reserves required by the Federal Reserve Act forms a part of the amending legislation. (Laws of 1927, ch. 100, sec. 1.)