

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6914

June 19, 1931.

SUBJECT: Applications of State Banks and Trust Companies for
Membership.

Dear Sir:

A number of applications for membership in the Federal Reserve System, bearing the favorable recommendation of the Federal reserve bank committee, have been received by the Federal Reserve Board recently, where the condition of the applicant banks was not, in the opinion of the Board, up to the standard which should be maintained by banks seeking membership, the reports showing substantial depreciation in investment account, established losses on loans, etc. During the consideration of these applications it was suggested that the Board adopt the policy of requiring that at the time of admission of a state bank or trust company to membership in the Federal Reserve System, it shall be free from all known losses and depreciation, so that on the date its membership becomes effective, its statement will reflect as nearly as possible the value of its assets.

After some consideration of the proposed policy the Board referred the matter to the recent Conference of Governors for an expression of opinion, and was advised that it was the sense of the Conference that the policy is sound in principle.

The Board has now given further thought to the matter and has voted to adopt the proposed policy. You are, therefore, requested to bring this action of the Board to the attention of your committee of directors which passes on membership applications, in order that it may be governed accordingly in making its recommendations to the Federal Reserve Board on applications received in the future.

By order of the Federal Reserve Board.

J. C. Noell,
Assistant Secretary.

TO ALL FEDERAL RESERVE AGENTS.