

## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-7402

April 7, 1933.

Dear Sir:

One of the Federal Reserve Agents recently submitted to the Board a request made by a State member bank subject to the condition of membership numbered three contained in Section IV of the Board's Regulation H for permission to acquire certain bank stock in satisfaction of debts previously contracted in good faith. This condition as contained in the Board's Regulation and as prescribed for State banks applying for membership prior to revision of the condition as set out in condition numbered 7 in Trans. 1619 did not, as you know, contain any exception covering the acquisition of bank stock for debts previously contracted. The Board granted the permission requested in the case referred to above on the condition that such bank stock be disposed of within six months after the date upon which it was acquired, and in this connection also advised the Federal Reserve Agent generally with regard to cases of this kind as follows:

"In conformity with regular condition numbered 7 (Trans. 1619) now being imposed on banks applying for membership it will be the policy of the Board, in cases where a bank is subject to a condition

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"similar to the one imposed on the subject bank, not to object to the acquisition of stock by such institution in any other bank or trust company in satisfaction or protection of debts previously contracted in good faith, provided that stock so acquired shall have been disposed of within six months from the date on which it was acquired, unless time is extended by Board. In the absence of unusual circumstances, you need not submit to the Board any case of this kind unless the bank fails to dispose of the stock within six months from the date it was acquired, but you are requested in each such case which comes to your attention to immediately advise the bank involved of the Board's position in cases of this kind and that a failure to dispose of any such stock within six months after it is acquired may be considered a violation of the condition to which it is subject unless an extension of such six months' period is obtained from the Board."

The position taken by the Board in this matter is called to your attention for your information and guidance in connection with any cases similar to the kind described above which come to your attention.

Very truly yours,

Chester Morrill,  
Secretary.

TO ALL F. R. AGENTS EXCEPT PHILADELPHIA.