

(INTERPRETATION OF BANKING ACT OF 1933)

Copies to be sent to all Federal Reserve Banks.

July 17, 1933.

Mr. W. W. Hoxton,
Federal Reserve Agent,
Federal Reserve Bank of Richmond,
Richmond, Virginia.

Dear Mr. Hoxton:

Reference is made to your letter of July 11, 1933, with which you inclosed a copy of a letter from the Commissioner of Insurance and Banking of the State of Virginia with reference to the operation of branches by State member banks of the Federal Reserve System. Apparently, the Commissioner wishes to be advised as to whether a State bank, which has a paid-in and unimpaired capital stock of less than \$500,000, may become a member of the Federal Reserve System and continue to operate, outside of the city in which the parent bank is situated, offices or receiving stations whose functions would be limited to receiving deposits and cashing checks.

Section 9 of the Federal Reserve Act, as amended by the Banking Act of 1933, provides in part as follows:

"Any such State bank which, at the date of the approval of this Act, has established and is operating a branch or branches in conformity with the State law, may retain and operate the same while remaining or upon becoming a stockholder of such Federal reserve bank; but no such State bank may retain or acquire stock in a Federal reserve bank except upon relinquishment of any branch or branches established after the date of approval of this Act beyond the limits of the city, town, or village in which the parent bank is situated. Provided, however,

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That nothing herein contained shall prevent any State member bank from establishing and operating branches in the United States or any dependency or insular possession thereof or in any foreign country, on the same terms and conditions and subject to the same limitations and restrictions as are applicable to the establishment of branches by national banks."

Section 5155 of the Revised Statutes, as amended by section 23 of the Banking Act of 1933 requires, among other things, that a national bank, located in a State having a population of 1,000,000 or more inhabitants, have a paid-in and unimpaired capital stock of not less than \$500,000, in order to establish a branch outside of the city, town or village in which it is situated; and, under the above provision of section 9 of the Federal Reserve Act, a State member bank must also meet this requirement in order to establish a branch outside of the city in which it is situated.

The Federal Reserve Board has given careful consideration to the question raised by the Commissioner of Insurance and Banking and is of the opinion that an office or receiving station of a State bank at which deposits are received and checks are cashed must be considered a branch within the meaning of the above provision of section 9 of the Federal Reserve Act. Accordingly, it is the Board's view that a State bank located in the State of Virginia, which has a population of more than 1,000,000 inhabitants, may not become or remain a member of the System and continue to operate such an office or receiving station established after February 25, 1927 beyond the limits of the city in which the parent bank is situated, unless such

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bank has a paid-up and unimpaired capital stock of not less than \$500,000 and complies with the other requirements applicable to the establishment and operation of branches by a national bank beyond the limits of the city in which such bank is situated.

Very truly yours,

Chester Morrill,
Secretary.