

(INTERPRETATION OF BANKING ACT OF 1933)

Copies to be sent to all Federal Reserve Banks.

July 18, 1933.

Mr. Isaac B. Newton  
Federal Reserve Agent  
Federal Reserve Bank of San Francisco  
San Francisco, California

Dear Mr. Newton:

Reference is made to your letter of July 8, 1933, with regard to the capital stock which State member banks located in certain States of the Twelfth Federal Reserve District are required to have in order that they may establish out of town branches under the provisions of Section 9 of the Federal Reserve Act, as amended by the Banking Act of 1933.

Section 9 of the Federal Reserve Act, as amended, 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, 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 one million

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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. A national bank, located in a State having a population of less than one million and having no cities located therein with a population exceeding one hundred thousand, must have a capital of not less than \$250,000, in order to establish such a branch. A national bank, located in a State having a population of less than one-half million, and having no cities located therein with a population exceeding fifty thousand, must have a capital of not less than \$100,000, in order to establish such a branch.

Accordingly, under the above provisions of Section 9 of the Federal Reserve Act, a State bank, located in a State with a population of one million or more inhabitants, may not become or remain a member of the Federal Reserve System and operate a branch established after February 25, 1927, beyond the limits of the city, town or village in which the parent bank is situated, unless such bank has a paid-up and unimpaired capital stock of not less than \$500,000. A State bank, located in a State having a population of less than one million and having no cities with a population exceeding one hundred thousand, or located in a State having a population of less than one-half million and having no cities with a population exceeding fifty thousand, must likewise have an amount of capital equal

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to that required of national banks in such cases, respectively, as above set out, in order to become or remain a member of the Federal Reserve System and operate a branch established after February 25, 1927, beyond the limits of the city, town, or village in which the parent bank is situated.

In any such case, a State member bank must comply with the other requirements applicable to the establishment and operation of branches by a national bank beyond the limits of the city, town, or village in which such bank is situated, including the requirement that the aggregate capital of such bank and its branches shall not be less than the aggregate minimum capital required by law for the establishment of an equal number of national banks situated in the various places where such bank and its branches are situated.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,  
Secretary.