

## INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal Reserve Banks)

September 13, 1933.

Mr. \_\_\_\_\_, Conservator,  
The \_\_\_\_\_ Banking Company,  
\_\_\_\_\_, \_\_\_\_\_.

Dear Sir:

Reference is made to your letter of June 16, 1933, addressed to the Board's General Counsel, in which you raised the question whether a State member bank of the Federal Reserve System located in the city of \_\_\_\_\_, Ohio, may lawfully establish a branch in \_\_\_\_\_, Ohio. I regret that it has not been possible to advise you with reference to this matter at an earlier date but the question presented involved a legal problem of some difficulty which has had the careful consideration of the Board's Counsel.

As you know, under the provisions of section 9 of the Federal Reserve Act, as amended by the Banking Act of 1933, a State member bank is authorized to establish and operate branches outside of the city in which it is located "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"; and, under the provisions of section 5155 of the Revised Statutes, as amended by the Banking Act of 1933, a national bank, subject to certain prescribed restrictions and conditions, may establish a branch at any point within the State in which it is located "if such establishment and operation are at the time authorized to State banks by the statute law of the State in question by language specifically granting

such authority affirmatively and not merely by implication or recognition, and subject to the restrictions as to location imposed by the law of the State on State banks."

The Board understands that the statute of the State of Ohio contains the following provision with reference to branches of State banks organized under the laws of that State:

"Sec. 710-73. \* \* \* \* \* No branch bank shall be established until the consent and the approval of the superintendent of banks has been first obtained, and no bank shall establish a branch bank in any place other than that designated in its articles of incorporation, except in a city or village contiguous thereto, or in other parts of the county or counties in which the municipality containing the main bank is located. If such consent and approval is refused, an appeal may be taken therefrom in the same manner as is provided in section 710-45 of the General Code."

After careful study of the question presented, it is the view of the Federal Reserve Board that a State member bank, located in the State of Ohio, may lawfully establish and operate a branch in a city or village contiguous to the place designated in its articles of incorporation or in other parts of the county or counties in which the municipality containing the main bank is located, provided that said State bank complies with all requirements of the law applicable to the establishment of out-of-town branches by national banks. Among the requirements in question is that the approval of the Comptroller of the Currency be obtained before the establishment and operation of any such out-of-town branch. Accordingly, it is suggested that if a State member bank located in Ohio desires to establish and operate an out-of-town branch, it communicate its request or application for approval of

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the establishment of such branch to the Federal Reserve Agent of the Federal Reserve Bank of Cleveland. The Federal Reserve Agent, after carefully considering the matter and obtaining such information as may appear to be necessary, will transmit the request to the Federal Reserve Board, which will submit it to the Comptroller of the Currency.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,  
Secretary.