

INTERPRETATION OF BANKING ACT OF 1933.

Copies to be sent to all Federal reserve banks.

TELEGRAM

September 22, 1933.

McCLURE - KANSAS CITY

Referring your wire September 19, National Bank Act as amended by Banking Act of 1933 requires capital stock of at least \$50,000 for organization of new national bank in place having population not exceeding 6,000 inhabitants. If located in place exceeding 6,000 inhabitants and not in excess of 50,000 inhabitants new bank would be required to have capital of at least \$100,000 and if located in place which exceeds 50,000 inhabitants new national bank would be required to have capital of at least \$200,000. Under provisions Section 5143 Revised Statutes of United States, a national bank may not reduce its capital to any sum below amount required for organization of new national bank. Accordingly, a national bank now in existence with capital of \$25,000 would not, under law, be authorized to reduce such capital and a national bank having capital exceeding \$25,000 may not reduce its capital below \$50,000 when located in place with population not exceeding 6,000 inhabitants. However, if any such bank should increase its capital by issuance of preferred stock to an amount in excess of amount required for organization of new national bank in place in which it is located it might then reduce its common stock if it so desired provided that after such reduction aggregate amount of its common and preferred stock was not less than minimum amount required for organization of new bank. In any such

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case bank should issue additional common stock if and when its preferred stock is retired in an amount equivalent to preferred stock so retired so as to maintain minimum capital required. A State bank organized on or after June 16, 1933, date of enactment of Banking Act of 1933, and situated in place with population not exceeding 3,000 inhabitants is eligible for admission to membership in Federal Reserve System if entitled to benefits of insurance under Section 12B of Federal Reserve Act and has capital of not less than \$25,000 at time of admission to Federal Reserve System.

BETHEA

(Signed) L. P. Bethea