

INTERPRETATION OF BANKING ACT OF 1933.

Copies to be sent to all Federal reserve banks.

October 20, 1933.

Mr. M. L. McClure,
Federal Reserve Agent,
Federal Reserve Bank of Kansas City,
Kansas City, Missouri.

Dear Mr. McClure:

Receipt is acknowledged of your letter of September 21, 1933, in which you requested advice as to whether an existing State bank with a capital of \$25,000 which moves its location to another town having a population of 3,000 or less inhabitants will be eligible for admission to membership in the Federal Reserve System. You called attention to the Board's ruling of July 22, 1933, (X-7521), to the effect that under the provisions of the Banking Act of 1933 a State bank organized on or after June 16, 1933, in a place with a population of 3,000 or less inhabitants with a capital of not less than \$25,000 is eligible for admission to membership in the Federal Reserve System if it is at the time entitled to the benefits of insurance under Section 12B of the Federal Reserve Act.

In the circumstances, you are advised that an existing State bank with a capital of not less than \$25,000 and located in a town of not exceeding 3,000 inhabitants will be eligible for admission to membership in the Federal Reserve System after its removal to another town having a population of not exceeding 3,000 inhabitants, if the removal was authorized by and in accordance with the law of the State, provided, of course, that the bank complies with all other requirements for admission to membership. If such a bank should decide to apply for membership

- 2 -

in the System while not entitled to the benefits of insurance under Section 12B of the Federal Reserve Act, it should arrange to furnish to the Board a copy of an opinion of the Attorney General of the State, or other State authority having jurisdiction of the matter, with respect to the question whether it was "organized" at the time of removal or at a date prior thereto. In any such case, the Board would also wish to be fully informed as to the facts regarding the removal with particular reference to the question whether it was in contemplation of an application for membership, or for the purpose of evading the requirement that a new State bank situated in a town of 3,000 inhabitants or less upon becoming a member of the Federal Reserve System must be entitled to the benefits of insurance at the time of admission to membership unless it has a capital of at least \$50,000.

In connection with the last paragraph of your letter, the Comptroller of the Currency has been requested to advise you as to the position of his office with regard to the removal of a national bank to another town.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.