

FEDERAL RESERVE BOARD

WASHINGTON

March 17, 1934.
B-966.ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARDSUBJECT: Call Condition Reports of State Bank
Members and their Affiliates.

Dear Sir:

There have been forwarded to you today under separate cover the indicated number of copies of the six forms and schedules attached hereto, for the use of State bank members and their affiliates in submitting reports as of the next call date:

Number of
copies

Form

Form 105, Report of condition of State bank member.

Schedule "O", Loans and advances to affiliate and investments in and loans secured by obligations of affiliates.

Schedule "Q", Number of depositors and amount of deposits.

Form 220, Report of affiliate or holding company affiliate.

Form 220a, Publisher's copy of report of affiliate or holding company affiliate.

Form 220b, Instructions for preparation of reports of affiliates and holding company affiliates.

Kindly mail an appropriate number of copies of these forms and schedules, based on the number required at the time of the last call for reports, to each State bank member that has not been formally

placed in liquidation or receivership, or possession of which has not been taken by a conservator or other State official, with the request that the forms and accompanying schedules be held pending a call for reports thereon.

In order that the Board may have statistical data regarding the aggregate loans and investments, deposits, etc., of State bank members in the hands of conservators or other similar State officials pending a decision of the question whether they should be reopened, reorganized or liquidated, but which have not been formally placed in liquidation or receivership, please also forward three copies of Form 105 to each of such banks with the request that the conservator, or other State official in charge of the bank, fill in the data called for by the form (upon receipt of a call therefor) and mail the report to your bank in duplicate. Please request the officials in charge of such banks to interline the amount of special or segregated deposits, subject to unrestricted withdrawal, against the caption "Unrestricted deposits" following the items affected in Schedules J, K and L, and to interline assets segregated against such deposits opposite appropriate captions on the face of the report and in Schedule I. Officials in charge of such banks should not be asked to furnish the data called for in Schedules O and Q, nor to have the reports attested by any of the directors of the banks.

It will be noted that provision has been made in Form 105 for reporting under item 29, "Capital account", the amount of capital notes and debentures sold to the Reconstruction Finance Corporation and to others, as well as the amount of the retirement fund for preferred stock or capital notes and debentures; that liability item "Bills payable and rediscounts"

has been divided into two parts, namely, "Bills payable" and "Rediscounts", with corresponding sub-totals in Schedule H; that Schedule AA, "Assets pledged, rediscounted, loaned, or sold under repurchase agreement", has been eliminated, and provision has been made for showing instead, in a memorandum section on the face of the report, the amount of loans and investments pledged to secure liabilities; and that the classification of "Other bonds, stocks and securities owned" in Schedule G has been completely revised. In the revised Schedule G no provision has been made for reporting the amount of claims and judgments, heretofore included in item 1-i. The amount of such assets should be shown separately in Schedule M, "Other assets". It will be noted that a new Schedule "Q" has been provided for reporting certain data as to the number of depositors and amounts of total deposits, net deposits, and insurable deposits as of the date of the next condition report on Form 105 and as of December 15, 1933.

Some of the reports submitted on recent calls have shown amounts opposite the items "Surplus" and "Undivided profits - net" under Capital account, although the net book value of preferred and common stock, as shown opposite the bracket, was less than the aggregate of the retireable value of preferred stock and par value of common stock. A State bank member should not show any surplus or undivided profits in condition reports on Form 105 when the net book value of capital notes and debentures and capital stock is less than the aggregate of (1) the amount at which capital notes and debentures or preferred stock must be retired or to which the holders thereof are entitled in case of liquidation, and (2) the par value of common stock. Moreover a bank should not report among "Other assets" (as heretofore

provided in instructions governing the preparation of condition reports) any operating deficit. Any such deficit must be deducted from capital account. If, on examination of the condition reports submitted by State bank members, you find that the capital account is not reported on this basis, please have appropriate corrections made.

Please advise State bank members that, although the amount of rediscounts (as reported against Item 22 of "Liabilities") should not be included in the memorandum section below "Liabilities", the amount of any marginal or additional collateral that may have been pledged to secure such rediscounts should be reported as "pledged against borrowings", item 34-e, and included in item 33 and items 30, 31 or 32, depending on the character of the collateral.

In the Board's letter B-944 of December 26, 1933, page 2, you were requested to advise State bank members that payments made to the Temporary Federal Deposit Insurance Fund should be included in "Other assets", item 13 on the face of Form 105, and shown separately in Schedule M. This was intended to require State bank members to include such payments in "Other assets" only if they were carried as assets on the bank's books. The banks may, of course, use their own discretion as to whether they should carry such payments as an asset or charge them off. If charged off the amount should be shown separately under item 2, "Expenses", in earnings and dividends reports, Form 107.

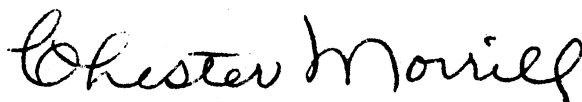
It is requested that as promptly as practicable after the issue of the call you inform the Board, with respect to each State whose

- 5 -

capital city lies in your district, whether or not State authorities issued a call for condition reports as of the same date as the call issued by the Board, and, if not, the date of the nearest call thereto issued by the State authorities.

You are authorized to grant extensions of time for the preparation of reports of affiliates under the same terms and conditions as heretofore authorized.

Very truly yours,



Chester Morrill,
Secretary.

TO ALL FEDERAL RESERVE AGENTS*