

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-9060

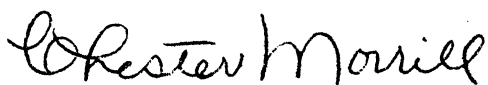
December 26, 1934

SUBJECT: Amendments to charters of
State member banks.

Dear Sir:

There is inclosed for your information and guidance a copy of a letter which the Federal Reserve Board has addressed to one of the Federal Reserve Agents with regard to the forwarding to the Board of copies of amendments to the charters of State member banks.

Very truly yours,

Chester Morrill,
Secretary.

Inclosure

TO ALL FEDERAL RESERVE AGENTS

COPY

X-9060-a

December 26, 1934

Mr. J.N.Peyton,
Federal Reserve Agent,
Federal Reserve Bank of Minneapolis,
Minneapolis, Minnesota

Dear Mr. Peyton:

Receipt is acknowledged of Mr. Bailey's letter of October 13, 1934, inclosing a certified copy of the amended articles of incorporation of the Sault Savings Bank, Sault Sainte Marie, Michigan, executed in connection with the recent reduction in the bank's common capital stock and the sale by it of preferred stock A and preferred stock B. This document is somewhat voluminous, and Mr. Bailey has requested advice as to whether the Board desires documents of this kind to be submitted to it in connection with similar transactions affecting State member banks.

As you know, when a State member bank applies for admission to membership in the Federal Reserve System, a copy of the charter of the bank, together with all amendments thereto, is forwarded to the Board for its information and records. The Board also desires that any amendments to a State bank's charter, while it remains a member of the Federal Reserve System, should be furnished to the Board for its information and in order that its records regarding the corporate powers and status of the bank may be complete. It will be appreciated if in each case you will submit the amendment to the counsel for your bank,

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in order that he may be satisfied as to all the legal aspects involved, and advise the Board of the opinion of your counsel when the copy of the amendment is forwarded to the Board. Of course, in any such case the opinion of your counsel should contain advice as to whether all requirements of the State law have been complied with. If in any case it appears that a correction in the proceedings is necessary, it is assumed that you will take appropriate steps in order that the necessary correction may be effected.

While in some cases it may be desirable for the Federal reserve bank to obtain copies of underlying documents showing the action taken by the stockholders and/or directors of the institution involved leading up to the amendment to its charter, in order that the counsel for the Federal reserve bank may be satisfied as to the legal aspects of the matter, copies of such underlying documents need not be forwarded to the Board for its records. In this connection, the Board feels that the question as to what underlying documents, if any, need be obtained in any particular case is a question which must be determined in view of the circumstances involved in each case and that this question should be determined by the Federal Reserve Agent and counsel for the Federal reserve bank in the exercise of a reasonable discretion in each case. It is assumed that, in the absence of special circumstances, the counsel for the Federal reserve bank will rely in each case upon information received from the State supervisory authorities that appropriate action has been taken by the stockholders and/or directors looking toward the amendment of the charter of the bank.

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In reply to Mr. Bailey's specific inquiry with regard to whether the Board desires copies of amendments to charters of State member banks covering the reduction of capital stock and the issuance of preferred stock, you are advised that the Board would like to receive copies of any such amendments which should be submitted in the manner described in detail above with regard to amendments to the charter of a State member bank. In this connection, it may be noted that, under the provisions of section 9 of the Federal Reserve Act as amended, the terms "capital" and "capital stock", for the purposes of membership of State banks in the Federal Reserve System, shall include the amount of outstanding capital notes and debentures legally issued by the applying bank and purchased by the Reconstruction Finance Corporation. It is understood that in most cases no amendment to the charter of a State member bank is necessary for the issuance of such capital notes or debentures, but, in view of the fact that such capital notes and debentures are under the law considered capital and capital stock for membership purposes, the Board in each case would like to receive a copy of the agreement of the bank covering the issuance of such capital notes or debentures, together with advice of the counsel for the Federal reserve bank that he is satisfied as to the legal aspects involved.

In any case in which the Board has not heretofore been furnished with copies of amendments to the charter of State member banks or copies of agreements covering the issuance of capital notes

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or debentures sold to the Reconstruction Finance Corporation, it will be appreciated if, when such a fact comes to your attention, you will obtain copies of such documents and forward them to the Board, with appropriate advice as to whether your counsel is satisfied as to the legal aspects involved. As a matter of convenient procedure, in this connection, and in connection with any future amendments to charters or agreements covering the issuance of capital notes or debentures to the Reconstruction Finance Corporation, you may wish to consider the advisability of having the examiner for the Federal reserve bank determine at the time of examination of each State member bank whether there have been any amendments to its charter, or agreements covering the issuance of capital notes or debentures sold to the Reconstruction Finance Corporation, copies of which have not previously been forwarded to the Board, rather than to make special inquiries of member State banks in this connection.

In the specific case referred to by Mr. Bailey, it is assumed that your counsel was satisfied as to the legal aspects of the amendments to the articles of incorporation of the Sault Savings Bank, but it will be appreciated if you will furnish the Board with definite advice on this point.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.