

## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-9091

January 15, 1935.

SUBJECT: Issuance of Limited Voting Permits  
to Holding Company Affiliates.

Dear Sir:

The Board's letter of November 10, 1934 (X-9018) sets forth the requirements heretofore prescribed by the Federal Reserve Board with regard to the elimination by subsidiary banks of holding company affiliates of depreciation in securities and losses in other assets prior to the issuance of limited voting permits to the holding company affiliates. The Board still feels that such requirements are a desirable basis, as a general rule, on which such limited permits should be granted. However, in a number of instances it has been found to be impracticable for the bank to meet such requirements under existing conditions, and, in view of all the circumstances involved, the Board has decided to modify its customary requirements.

Accordingly, you are advised that it will be the general policy of the Board, in acting on the issuance of limited voting permits, not to require the elimination of any depreciation in securities other than in stocks and defaulted securities, but only

to require, in so far as the elimination of losses and depreciation is concerned, that each subsidiary bank charge off or otherwise eliminate, prior to the issuance of the limited voting permit, all depreciation in stocks and defaulted securities and all losses in loans and discounts and other assets. Where the holding company affiliate itself is a bank, it will be required to comply with similar requirements prior to the issuance of the limited voting permit.

The eliminations required in connection with the issuance of limited voting permits may be accomplished through the establishment and maintenance of reserves which in all reports of condition and published statements are deducted from the respective assets against which allocated, as outlined in the Board's letter of November 28, 1934 (X-9032). In accordance with previous instructions, the requirements for the elimination of depreciation in securities may be based on current market values.

In any case in which the Board has recently authorized the issuance of a limited voting permit covering the election of directors and the transaction of routine matters, where the requirements regarding the eliminations prescribed by the Board have not been complied with, you are authorized, before issuing the limited permit, to apply the principles set forth in this letter with respect to eliminations. Also, in any case where the limited permit has been issued upon assurance that the required eliminations would be effected and have not yet been effected, compliance as to such

eliminations to the extent and under the conditions described in this letter will be considered as compliance with the assurance. It is requested that the Board be advised of the circumstances involved in any such case where the requirements heretofore prescribed by the Board were not fully complied with and the extent to which such requirements were not met.

The policy laid down in this letter supersedes all previous instructions of the Board with respect to eliminations in so far as they relate to the issuance of limited voting permits.

However, in cases in which the capital structure or other features of the bank are not satisfactory or where recapitalization, reorganization or rehabilitation programs, mergers or consolidations, or other special circumstances are involved, you are requested to furnish the Board with full information and your recommendation at the earliest practicable date.

The Board wishes to emphasize its desire to issue general voting permits in all cases where the condition of the holding company affiliate and its subsidiaries warrants such action. Accordingly, you are requested to continue your efforts to bring about such corrections as will justify the Board in issuing general voting permits at the earliest practicable date.

Very truly yours,



Chester Morrill,  
Secretary.

TO ALL FEDERAL RESERVE AGENTS