

FEDERAL RESERVE BOARD**WASHINGTON****ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD**

X-9169

April 2, 1935.

Dear Sir:

As you know, for some time the Board, in connection with applications for membership in the Federal Reserve System, has prescribed a standard condition of membership numbered 7 which reads as follows:

"Except with the permission of the Federal Reserve Board, such bank shall not purchase or acquire through any device whatever any stock of any other bank, trust company, or other corporation of any kind or character except in satisfaction or protection of debts previously contracted in good faith; and all stock acquired in satisfaction or protection of debts shall be disposed of within six months from the date on which it was acquired unless the time is extended by the Federal Reserve Board on the application of such bank for good cause shown."

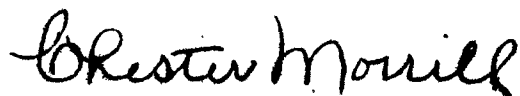
There is attached a copy of a letter dated April 2, 1935, to the Federal Reserve Agent at Richmond authorizing him in his discretion, upon receipt of applications from banks subject to the above condition, to extend on behalf of the Board for specified periods the time within which stocks acquired in satisfaction or protection of debts previously contracted in good faith may be disposed of. It is requested that the procedure outlined in the attached letter to the Federal Reserve Agent at Richmond be followed by your office in connection with any requests you may receive from

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banks for an extension of time within which to dispose of stocks
acquired on account of debts previously contracted.

Very truly yours,



Chester Morrill,
Secretary.

Inclosure.

TO ALL FEDERAL RESERVE AGENTS.

COPY

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April 2, 1935.

Mr. W. W. Hoxton,
 Federal Reserve Agent,
 Federal Reserve Bank of Richmond,
 Richmond, Virginia.

Dear Mr. Hoxton:

Reference is made to your letter of March 8, 1935, inclosing a copy of a letter dated March 6, 1935, from the president of the _____, _____, _____, requesting the Board's permission, in accordance with membership condition numbered 7, to hold until December 31, 1935, miscellaneous stocks acquired by the bank in connection with debts previously contracted in good faith which it now holds and which may be similarly acquired by it prior to July 1, 1935.

The Board has previously granted the bank permission to hold until April 30, 1935, stocks which had been acquired in connection with debts previously contracted in good faith and which had been held by the bank six months or more. In view of all the circumstances, including your recommendation, the Board extends to December 31, 1935, the time within which the bank may dispose of any stocks acquired in connection with debts previously contracted in good faith which it now holds or which may be similarly acquired by it prior to July 1, 1935. It is requested that you advise the bank of the Board's action in the matter.

Condition numbered 7 has, as you know, been prescribed for

some time by the Board as a standard condition of membership. As indicated by the provisions of the condition, the Board feels that stocks are not suitable for the investment of funds of member banks and the restrictions and provisions of the condition in regard thereto are intended to promote sound banking practice. It is recognized, however, that circumstances may arise which require that, for its own protection, a bank acquire stocks in connection with debts previously contracted in good faith and that it is often impossible or impracticable for the bank immediately to dispose of the shares thus acquired. Under the provisions of membership condition numbered 7, therefore, shares so acquired may be held for six months or, if permission is granted by the Board, for a longer period.

In order to expedite the handling of requests of banks for extensions of time under the provisions of membership condition numbered 7, the Board feels that it is appropriate to authorize the respective Federal reserve agents, in their discretion, to extend on the Board's behalf for specified periods the time within which banks subject to condition of membership numbered 7 shall dispose of stock acquired in connection with debts previously contracted in good faith. Accordingly, you are hereby authorized on behalf of the Board to grant such extensions when, in your opinion, an extension is warranted.

It is requested that the Board be advised of any extension

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of time which is granted under this authorization. Of course, should any case arise in which for any reason you are in doubt as to the wisdom of granting the requested extension of time under this authorization, the bank's request may be submitted to the Board for determination, together with all of the pertinent facts in the case, including your comments and recommendation.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.