

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-9286

August 17, 1935.

SUBJECT: Proposed revision of Regulation I
relating to increase or decrease of
capital stock of Federal Reserve banks.

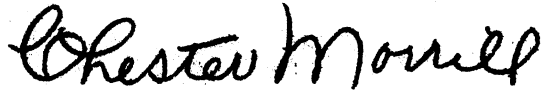
Dear Sir:

There are inclosed herewith six copies of a tentative draft (L-104) of a revision of Regulation I relating to increase or decrease of capital stock of Federal Reserve banks, together with six copies each of applicable forms in connection with such regulation and a tentative draft of instructions relating to the checking and handling of applications for the issuance and cancelation of Federal Reserve bank stock. It will be appreciated if you and the officers of your bank will study these inclosures and give the Federal Reserve Board your comments and suggestions thereon at the earliest practicable date, not later than thirty days from the date of this letter.

The draft of regulation, forms and instructions are based upon the applicable provisions of the Federal Reserve Act, as they would be amended by the provisions of the Banking Act of 1935 (H. R. 7617) if enacted in the form in which

it passed the House of Representatives. Inasmuch as no substantial change has been made in the applicable provisions of the Banking Act of 1935 by the Senate, it is felt that some progress can be made at this time in the drafting of the regulation, forms and instructions.

Very truly yours,

A handwritten signature in black ink that reads "Chester Morrill". The signature is written in a cursive style with a large initial 'C'.

Chester Morrill,
Secretary.

Inclosures. (L - 104)

TO ALL FEDERAL RESERVE AGENTS

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

August 8, 1935.

(TENTATIVE DRAFT)

SUBJECT: Instructions relating to the checking and handling of applications for issuance and cancelation of Federal Reserve bank stock.

Dear Sir:

In connection with the revised procedure of handling applications for the issuance and cancelation of Federal Reserve bank stock as contemplated by Regulation I, Revised, Effective _____ 1935, such applications should no longer be sent to the Board for approval, and Federal Reserve bank stock may be issued and canceled by Federal Reserve banks as soon as the appropriate applications are found to be correct and in proper form, except in the case of applications of State banks for admission to membership. For guidance in this connection, the following instructions are set forth covering the principal points to be kept in mind in the checking and handling of applications and related matters.

1. Care should be exercised to see that all such applications are properly executed by persons duly authorized, that the figures of capital and surplus appear to be correct according to available data,

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that the number of shares of Federal Reserve bank stock which the applying bank is required to hold, subscribe for or surrender has been correctly computed, and that the application conforms in all respects to the provisions of the law and the Board's regulations and rulings. The capital and surplus of national banks as shown in applications should be checked against the notices received from the Comptroller's office and against condition reports. The capital structure in the case of State member banks, and total deposit liabilities in the case of mutual savings banks, should be checked against reports of condition and other available data.

2. If there is any doubt whether an application is properly executed, or as to the number of shares of Federal Reserve bank stock which the applying bank is required to hold, subscribe for or surrender, the matter should be taken up with counsel for the Federal Reserve bank and, if necessary, the question should be referred to the Federal Reserve Board.

3. In connection with the organization of national banks, the Comptroller of the Currency should be advised direct by telegraph as soon as an application for the issuance of Federal Reserve bank stock has been received and found in proper form and the required payment has been received on the bank's subscription to Federal Reserve bank stock. This advice should be given by using the new code word "NARRATEMENT", the meaning of which will be as follows:

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"Application for Federal Reserve bank stock to be issued to the organizing national bank hereafter named has been found to be in proper form, the required payment has been received on the applicant's subscription for the number of shares of Federal Reserve bank stock hereafter shown, and such stock will be issued to the organizing national bank as of the date on which it is authorized by your office to commence business: (name and location of organizing national bank, and number of shares of Federal Reserve bank stock applied for.)"

Upon the issuance of Federal Reserve bank stock to a newly organized national bank, the Board should be advised thereof by telegraph using the new code word _____, the meaning of which will be as follows:

"Federal Reserve bank stock has been issued today to the following newly organized national bank:
(give name and location of organizing national bank)."

If, because of a delay in the receipt of the notice of the chartering of the bank, the stock is issued as of a previous date, that fact should be indicated in the telegram.

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4. Upon cancelation of a member bank's entire holdings of Federal Reserve bank stock and cessation of its membership, the Federal Reserve Board should be advised by telegraph, using as at present code word "NAVIFORM", the meaning of which is as follows:

"Refund of capital stock payment has today been made on account of the (give name and location of bank)."

5. Whenever a State member bank has been placed in the hands of a conservator or other State official acting in a capacity similar to that of conservator, it may wish to file a notice of intention to voluntarily withdraw from membership in the Federal Reserve System in the manner provided in section 9 of the Federal Reserve Act, as amended, and the Board's Regulation H, and request the Federal Reserve Board to permit withdrawal immediately, waiving the six months' notice. In any such case the conservator must join in such notice of intention to withdraw and request for waiver. Upon receipt of advice that you have received such notice and request for waiver and that your counsel is satisfied as to the legal aspects of such notice and request for waiver, together with your recommendation in the matter, the Board will take action as soon as possible.

6. As soon as practicable after February 1 and August 1, respectively, of each year, each member bank's required holdings of Federal Reserve bank stock should be computed on the basis of its latest condition report. If the computation shows that its holdings

of Federal Reserve bank stock are either greater or less than the amount required by law, the bank should be requested to file an application (Form 56) for an adjustment in its holdings of Federal Reserve bank stock. More frequent adjustments may be required in the event of substantial changes in a member bank's capital and surplus. Adjustments at the request of a member bank may, of course, be made at any time that it changes the amount of its aggregate capital and surplus.

7. It will no longer be necessary to furnish the Comptroller of the Currency semi-annual certificates of increases and decreases of Federal Reserve bank stock on Forms 58 and 59. In lieu thereof, please furnish a report to the Board as of the end of June and December of each year showing the following information:

1. Number of shares of Federal Reserve bank stock outstanding at beginning of the semi-annual period _____
2. Number of shares issued during the period to
 - (a) New member banks _____
 - (b) Existing member banks _____
 - (c) Total issued _____
3. Number of shares of Federal Reserve bank stock canceled during the period on account of
 - (a) Cessations of membership _____
 - (b) Surrender of stock by continuing member banks _____
 - (c) Total canceled _____
4. Number of shares of Federal Reserve bank stock outstanding at end of semi-annual period _____

5. Number of member banks at end of semi-annual period

	<u>National banks</u>	<u>State banks</u>
(a) Active	_____	_____
(b) Inactive (banking operations discon- tinued)	_____	_____

In connection with items 2a and 3a above, attach a list showing the name and location of each bank, number of shares issued or canceled, and date issued or canceled. With respect to items 2b and 3b, above, Federal Reserve bank stock canceled and reissued under the provisions of Section X of Regulation I should be excluded. In support of item 5b, show the name and location of each bank, the date on which banking operations were discontinued, the date placed in liquidation or in the hands of a receiver, if this has been done, and the status of the application, if filed, for cancelation of Federal Reserve bank stock.

Very truly yours,

Chester Morrill,
Secretary.

TO ALL FEDERAL RESERVE AGENTS.