

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

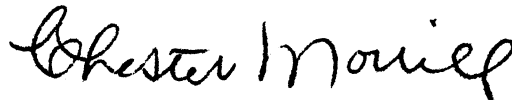
X-9379

November 29, 1935.

Dear Sir:

For your guidance in connection with any similar situations in your district, there is inclosed a copy of a letter sent to the Federal Reserve Agent at Richmond with respect to the manner in which a State bank member may show its capital accounts in condition reports rendered pursuant to Section 9 of the Federal Reserve Act in case the bank has preferred stock outstanding with a retirable value in excess of par value.

Very truly yours,

Chester Morrill,
Secretary.

Inclosure.

TO ALL FEDERAL RESERVE AGENTS EXCEPT RICHMOND

C O P Y

X-9379-a

November 27, 1935.

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

Dear Mr. Hoxton:

This refers to Mr. Fry's letter of November 12 with respect to the publication of the November 1 condition report by the _____, _____, _____.

It appears that the excess of the bank's assets over its liabilities to depositors and other creditors is less than the retirable value of its preferred stock plus the par value of its common stock and that, accordingly, under the instructions contained in the Board's letter B-966 of March 17, 1934, the bank is not permitted to show any surplus and undivided profits in condition reports on Form 105. It is understood, however, that in reports rendered and published pursuant to calls of the State banking department a bank is permitted to show both surplus and undivided profits if its assets exceed liabilities plus the par value of preferred and common stock. Mr. Fry states in his letter that "we are of the opinion that the public would be very much misled and disturbed if the bank should be required to publish its report of condition showing no surplus and no undivided profits because of the requirement

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that the retirable value of the Class 'A' stock be extended in the capital account".

The Board appreciates that it would be confusing to the public for a bank to publish two condition reports as of the same date, or approximately the same date, one of which showed surplus and undivided profits and the other did not. In the circumstances you may advise the _____, _____, and any other bank with preferred stock outstanding with retirable value different from par value, that the excess over the par value of preferred and common stock, rather than the excess over the retirable value of preferred stock and the par value of common stock, may be used in determining the amount of surplus and undivided profits to be shown in condition reports submitted to your bank, provided that any surplus that may be shown in the condition reports shall be shown against the amended caption "Surplus over par value of capital stock".

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.