

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

X-9540

April 4, 1936.

Dear Sir:

In its letter of December 3, 1935, (X-9385), relating to the issuance of general voting permits, the Board advised you that, as a condition to the issuance of such permits, each holding company affiliate would be required to execute an agreement in the form accompanying such letter, subject to any changes and with any additional provisions prescribed by the Board in the particular case.

Paragraph numbered 7 of the form of agreement contains the following provision:

"and that, except with the permission of the Board of Governors of the Federal Reserve System, it shall not cause or permit any change to be made in the general character of its business or investments."

In view of the restrictions and limitations imposed upon national banks by law, the Board has recently decided that such a provision is not essential where the holding company affiliate is a national bank. Therefore, in authorizing the issuance of general voting permits to national banks in the future, the Board will modify the above-mentioned paragraph of the required agreement to read as follows:

"That the management of the undersigned will be, and the undersigned will take such action within its power as may be necessary to cause the management of each of its subsidiaries to be, conducted under sound policies governing its financial and other operations, including statements issued relating thereto; that the undersigned will maintain a sound financial condition; and that its net capital and surplus funds shall be adequate in relation to the character and condition of its assets and to its liabilities and other corporate responsibilities."

Appropriate action will be taken to modify in a similar manner the agreements heretofore executed by national banks.

It may also be noted that, in authorizing the issuance of general voting permits to national banks, the Board has uniformly modified the standard form of agreement by providing that paragraphs numbered 1 and lettered (C) should be omitted and that paragraph numbered 4 should be changed to read as follows:

"That the undersigned will comply, and will take such action within its power as may be necessary to cause each subsidiary national bank or affiliate of such subsidiary national bank or of the undersigned to comply, with the recommendations or suggestions of the Comptroller of the Currency based upon any report of examination made to him pursuant to authority conferred by law and with the regulations or requirements of the Board of Governors of the Federal Reserve System made pursuant to authority vested in it by law;"

Very truly yours,



Chester Morrill,
Secretary.

TO ALL FEDERAL RESERVE AGENTS