

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9695

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 12, 1936



Subject: Applications for membership
of newly organized banks.

Dear Sir:

There is attached for the information of your bank a copy of a telegram sent today to the Vice President of the Federal Reserve Bank of San Francisco in reply to a request for an expression of the Board's views as to whether a newly organized bank should be admitted to membership in the System upon its opening for business or whether the application of such a bank should be discouraged until it has been in existence for some time in order that its management might prove itself and its ability to operate profitably be substantiated.

Very truly yours,

A handwritten signature in dark ink, appearing to read "L. P. Bethea". The signature is fluid and cursive, with a prominent initial "L" and a long, sweeping underline.

L. P. Bethea,
Assistant Secretary.

Inclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

X-9695-a

September 12, 1936

COPY

SARGENT
San Francisco

Retel September 8. A newly organized bank is eligible for membership in the System and whether its application should be approved or deferred depends upon the circumstances in each case. Upon occasion Board has approved membership applications of banks being organized, membership to become effective upon opening for business. If a Federal reserve bank feels that there is justification for organization of proposed bank, is satisfied with proposed management, and feels that Board of Governors would be warranted in executing certificate required under section 12B (e), it would seem that bank should not be denied membership simply because it is a newly organized bank. On the other hand, if there are serious reservations as to any of the factors enumerated above, it would seem to be appropriate to discourage membership until the bank has been in existence a sufficient time to prove that it merits membership. It is suggested that in the case of an application for membership to become effective upon the opening for business, the views of the Federal Deposit Insurance Corporation supervising examiner as to the situation be obtained.

(Signed) L. P. Bethea

BETHEA