

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

X-9754  
Reg. H-10

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 2, 1936



SUBJECT: Aggregate capital required for the establishment  
and retention of branches by State member banks.

Dear Sir:

As you know, paragraph (d) of section 5155 of the Revised Statutes of the United States provides, in the case of the establishment of branches by national banks, that:

"(d) The aggregate capital of every national banking association and its branches shall at no time be less than the aggregate minimum capital required by law for the establishment of an equal number of national banking associations situated in the various places where such association and its branches are situated."

Under the provisions of section 9 of the Federal Reserve Act the Board is authorized to approve the establishment and operation by a State member bank of branches located outside of the city in which the State member bank is situated on the same terms and conditions and subject to the same limitations and restrictions as are applicable to the establishment of branches by national banks. Section 9 also provides that the approval of the Board must be obtained before any State bank hereafter admitted to membership may retain any branch established after February 25, 1927, beyond the limits of the city, town, or village in which the parent bank is situated.

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With regard to the computation of the aggregate capital required for the establishment of branches by national banks, the Comptroller of the Currency has heretofore taken the position that only one unit of capital for the head office and all branches located in the same city as the head office is required under the provision of law quoted above, and in acting on applications of State member banks for the establishment of branches or the retention of branches established after February 25, 1927, the Board has taken the position that the aggregate capital required may be computed in a like manner.

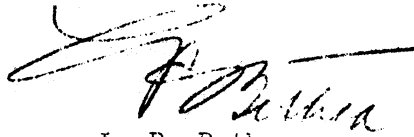
The Board has recently been advised that the Comptroller of the Currency, in acting on applications of national banks for permission to establish branches, requires only one unit of capital for each place in which a branch of the applicant bank is located other than the city of the head office, even though more than one branch is located in such other place. A copy of a letter containing advice of the Comptroller's position in this connection is attached hereto.

In view of the provisions of section 9 of the Federal Reserve Act above referred to and, since it is the obvious intent of the law that State member banks and national banks shall be on a basis of substantial equality with regard to the establishment of branches, you are advised that in determining the aggregate amount of capital required for the establishment of out-of-town branches

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by State member banks or the retention by such banks of out-of-town branches established after February 25, 1927, the Board will apply the construction of the law which has been adopted by the Comptroller of the Currency and which is described in the attached letter.

Very truly yours,



L. P. Bethea,  
Assistant Secretary.

Inclosure.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS.

COPYTREASURY DEPARTMENT

COMPTROLLER OF THE CURRENCY

WASHINGTON

October 1, 1936

Board of Governors,  
Federal Reserve Board,  
Washington, D. C.

Dear Sirs:

Reference is had to your letter of September 30, relative to the capitalization requirements of Paragraph (d) of Section 5155 of the Revised Statutes, relative to the establishment of branches of National Banks.

You state that under date of January 2, 1934, this office advised you that while this office does not believe it is required that National Banks have a unit of capital for each branch in the city, town or village in which the main office is located, it was our opinion that such units of capital were required for all branches established outside the limits of the location of the main office.

You state that you have been informed that since the date of the above letter this office has reached the conclusion that the requirements of this law are fulfilled if the National Bank has one unit of capital for each city, town or village in which the bank and its branches are located; i. e.: if two or more branches are located in a given city, which city is outside the location of the bank's main office, only one additional unit of capital is required for such branches. You ask that we confirm your understanding in this respect, and furnish you with copy of opinion of Counsel if one has been prepared.

Under date of November 19, 1935, opinion of Counsel was prepared and approved on this subject matter, copy of which opinion is enclosed herewith.\* In this opinion you will note that it is determined that this office may reasonably interpret the Statute as not requiring an increase in capital for additional branches located at a place outside the place of the parent bank's location where the parent bank has already located a branch in such place and has made the necessary capital adjustments to satisfy the Statute for the

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location and establishment of one branch in that place. In other words, the capital requirements having been met for the establishment of one branch in that community, it is concluded that the Statute does not require additional capital adjustments to be made for the establishment of other branches in the same community.

Very truly yours,

(Signed) Gibbs Lyons

GIBBS LYONS  
Deputy Comptroller.

\*Opinion not inclosed with this copy of Comptroller's letter.