

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9836

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



March 6, 1957

Dear Sir:

For your guidance in connection with any similar situations in your district, there is inclosed a copy of a letter sent to Mr. S. G. Sargent, Vice President of the Federal Reserve Bank of San Francisco, with respect to the manner in which a State bank member with capital debentures outstanding may show its capital accounts in condition reports rendered pursuant to the provisions of Section 9 of the Federal Reserve Act.

Very truly yours,

A handwritten signature in cursive script, appearing to read "S. R. Carpenter".

S. R. Carpenter,
Assistant Secretary.

Inclosure.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS EXCEPT SAN
FRANCISCO.

X-9836-a

March 6, 1937.

Mr. S. G. Sargent, Vice President
Federal Reserve Bank of San Francisco
San Francisco, California.

Dear Mr. Sargent:

This refers to your letter of January 25, 1937, inclosing a letter from the Superintendent of Banks of the State of Oregon with respect to the publication of reports of condition of State member banks in accordance with the Board's Form 105e and the acceptance of such published statements by the State banking department. It is noted that the State banking department feels that the manner in which the capital account is set up under Item 31 of the Board's Forms 105 and 105e "does not permit the proper reporting of capital debentures, which under Oregon laws do not affect the actual amount of common stock outstanding but operate to reduce the stockholders equity therein", and that the department suggests a somewhat different set-up to accomplish the desired purpose.

The Board will interpose no objection if the three State bank members in Oregon which have capital debentures outstanding show their capital accounts on Forms 105 and 105e in the manner proposed by the State banking department provided that it is also made clear that the reported amount of surplus represents the amount of surplus if no account is taken of the bank's liability on capital debentures outstanding. This may be accomplished along the general lines indicated by the Board's letter X-9379 of November 29, 1935, by amending the caption "Surplus" to read "Surplus before provision for capital debentures". In such event, the capital account as of December 31, 1936 of the _____ Bank, _____, Oregon, for example, would be shown as follows, after eliminating the capital account sub-items for which no amounts are reported and which, accordingly, do not have to be published:

Capital notes and debentures sold to Reconstruc-)	
tion Finance Corporation)*(\$20,000)	\$50,000
Common stock, 500 shares, par \$100 per share)	
Surplus before providing for capital debentures		15,000
Undivided profits		<u>6,731.71</u>
Total capital account (*Includes capital debentures)		\$71,731.71

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Assistant Secretary.