

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



June 6, 1938.

SUBJECT: Holding by Member Banks of
Shares of Stock of Federal
Savings and Loan Associations

Dear Sir:

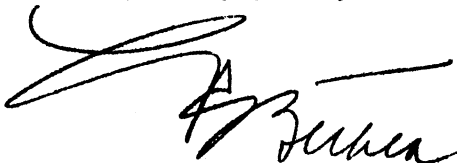
For your information there is given below an excerpt from a letter recently sent to the Governor of the Federal Home Loan Bank Board with regard to the purchase and retention by State member banks of shares of stock of Federal savings and loan associations.

"As indicated in the inclosure with your letter of May 2, the Board of Governors has heretofore expressed the opinion that the provisions of section 5136 of the United States Revised Statutes forbid the purchase by member banks of shares of stock of Federal savings and loan associations. It is the view of the Board of Governors that the exemptions stated in section 5136 do not cover shares of stock of such associations and that the provisions of a State statute authorizing State banks to purchase such shares cannot exempt purchases by member banks, whether State or national, from the operation of the Federal statute.

"With respect to the second question presented in your letter, you are advised that it is the view of the Board of Governors that the provisions of section 5136 do not require State banks which have in good faith acquired shares of stock of Federal savings and loan associations or of other corporations while they were nonmember banks to dispose of such shares upon becoming members of the Federal Reserve System. Furthermore, it is not the practice of the Board of Governors to require as a condition of membership that banks dispose of stock, although it may be necessary in particular cases to require banks applying for membership to reduce undue concentrations in stock just as would be done in the case of

undue concentrations in any other class of assets. A similar requirement might be necessary if it appeared that a bank contemplating membership had acquired stock for the purpose of evading the prohibition upon the purchase of stock by member banks."

Very truly yours,

A handwritten signature in black ink, appearing to read "L. P. Bethea". The signature is fluid and cursive, with a large initial "L" and a long horizontal stroke extending to the right.

L. P. Bethea,
Assistant Secretary.

TO PRESIDENTS OF ALL FEDERAL RESERVE BANKS