

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-352

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 23, 1941



Dear Sir:

This rescinds the part of the Board's letter of February 28, 1936 (X-9506, Item #3440, F.R.L.S.), which requested each Federal Reserve Bank to review annually as of the close of the year the condition of each State member bank in its District which is subject to the present standard condition of membership numbered 2, or former standard condition of membership numbered 15, respecting the maintenance of an adequate capital structure, and, in any case where it appears that the capital structure is not adequate under the provisions of the condition of membership, to advise the Board of the situation with a recommendation as to what action, if any, should be taken by the Board in the circumstances.

The discontinuance of the request for an annual review and a report thereon does not reflect in any degree whatsoever a modification of the Board's position that it is essential that banks maintain an adequate cushion of sound capital and that, as part of their regular supervisory work, the Reserve Banks use their best judgment and exert their best efforts to bring about and maintain such a condition with respect to all State member banks. The request for an annual review has been rescinded since it seems preferable to emphasize the importance of giving constant and continued attention to the adequacy of the capital structures of all State member banks as part of the regular supervisory work rather than to emphasize the annual review of only the banks subject to a condition of membership regarding maintenance of capital.

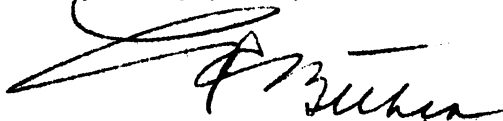
It is assumed that in all cases where an examination by the Reserve Bank discloses inadequacy of capital the analysis on Form 212 submitted to the Board will contain appropriate reference to the situation with a statement as to what action the Reserve Bank has taken or contemplates taking and a recommendation as to the action, if any, the Board should take in the circumstances. It is not intended, of course, that the information and recommendations be limited to those

-2-

S-352

contained in Form 212. It is expected, rather, that in all cases the Reserve Banks will forward from time to time such data as may be necessary in order that both the Reserve Banks and the Board may properly discharge their supervisory responsibilities.

Very truly yours,

A handwritten signature in dark ink, appearing to read 'L. P. Bethea', with a large, sweeping initial 'L'.

L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS