

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

(Copies furnished
other Board Members
and staff)

Date January 23, 1940.

To (The Files) Mr. Seiler.

Subject: Bank of America N.T. & S.A. --
Conversion into insured nonmember State
bank.

From Mr. Wyatt, General Counsel.

Judge Birdzell, General Counsel for the Federal Deposit Insurance Corporation, called me on the phone this morning and stated that Mr. Charles W. Collins had inquired of him whether, in the event the Bank of America N.T. & S.A. converts into a State nonmember bank and desires to retain its deposit insurance, it would be necessary for the State bank to apply for deposit insurance. Judge Birdzell said that he had answered the question verbally in the affirmative and that he had no doubt as to the correctness of the answer.


Judge Birdzell also went on to say that he understood that Mr. Collins had inquired of me whether, in the event the bank converted into a State bank which desired to be a member of the Federal Reserve System, it would be necessary for the State bank to file an application for membership and that I had answered this question in the affirmative. Judge Birdzell said that he thought my answer was clearly correct and that he was glad that we were in accord as to the underlying principles of law involved.

Judge Birdzell also stated that in response to an inquiry from Mr. Collins he had advised him that, if the national bank converted into a State bank which became a member of the Federal Reserve System, that its deposits would be automatically insured without any action on the part of the F.D.I.C.

Judge Birdzell then inquired whether I had given Mr. Collins a written opinion on the question and I told him that I had not. I explained that Mr. Collins had merely called me on the telephone and inquired as to what is the Board's established position on that subject and that I had told him, basing my reply upon a ruling which the Board had made in 1923 and from which it has never departed. I then explained that it was the Board's practice not to give a ruling in writing except in response to a written inquiry requesting a formal ruling.

Judge Birdzell replied that he had been considering the advisability of giving Mr. Collins a written opinion on the subject but that he thought our practice was a good one and did not think he would give Mr. Collins a written opinion unless he received a written request from him, which he has not yet done.

During the course of the discussion, Judge Birdzell said that he understood that Mr. Ferrari's opinion to the effect that the bank could convert into a State bank and retain its membership in the Federal Reserve System and its deposit insurance without any approval or other action by the Board or the F.D.I.C. was based upon a Michigan decision which Judge Birdzell had read, and that he felt that the Michigan decision had no real bearing on the question.


Walter Wyatt,
General Counsel.