

FEDERAL RESERVE BOARD

WASHINGTON

X-3186

August 18, 1921.

SUBJECT: Payment of Dividends to
Liquidating Member Bank.

Dear Sir:

The attention of the Federal Reserve Board has been called to the fact that the practice of the various Federal Reserve Banks with reference to the payment of dividends upon surrendered Federal Reserve Bank stock is not uniform. It appears that in the case of insolvency or voluntary liquidation of a member bank it is the practice of some Federal Reserve Banks to pay dividends on the stock held by such member bank only up to and including the date on which a liquidating agent or receiver is appointed, but that other Federal Reserve Banks allow a reasonable time for the adjustment of accounts between the liquidating bank and the Federal Reserve Bank and, if application for surrender of the stock of the Federal Reserve Bank held by the liquidating bank is made within a reasonable time after the appointment of the receiver or liquidating agent, dividends are paid on such stock up to the time the stock is actually surrendered. The Board has thoroughly considered this subject and wishes to communicate its conclusions to all Federal Reserve Banks in order that their practice in such cases may be uniform.

Neither the Federal Reserve Act nor the regulations of the Board prescribe the exact time when a bank in liquidation must surrender its stock in the Federal Reserve Bank. It is true that the Federal Reserve Act provides that when a member bank voluntarily liquidates, or when it is declared insolvent and a receiver is appointed, the stock held by it in the Federal Reserve Bank must be surrendered for cancellation. The Act does not pro-

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vide that it must be immediately surrendered for cancellation, however, and it must be contemplated that such stock should be surrendered as soon as the accounts between the liquidating bank and the Federal Reserve Bank can be reasonably adjusted. The Board is of the opinion, therefore, that a Federal Reserve Bank is authorized to pay dividends to the liquidating agent or receiver of a member bank for such time after the member bank goes into liquidation or the receiver is appointed as is reasonably required for the adjustment of these accounts. It is suggested, however, that should the liquidating agent or receiver fail or refuse to file an application for the surrender of stock in a Federal Reserve Bank after allowing a reasonable time for the adjustment of accounts, the Federal Reserve Bank should make a tender of the amount due the member bank and should pay no dividends for the period subsequent to such tender.

This letter supersedes any former rulings of the Board, including the informal ruling published on page 457 of the June 1917 Bulletin, in so far as those former rulings are in conflict with this letter.

Very truly yours,

G o v e r n o r .

To Governors and Agents.