

FEDERAL RESERVE BOARD

WASHINGTON

X-3841

September 20, 1923.

SUBJECT: Notice of Withdrawal of membership.

Dear Sir:

For your information, there is enclosed herewith copy of a letter recently addressed to the Governor of one of the Federal reserve banks, containing a ruling by the Board on the question of whether the notice of withdrawal given by a state member bank may remain effective for a month or two after the expiration of the required six months' period, in order that the state bank member may have an opportunity of paying off its obligations to the Federal reserve bank before withdrawing from the System.

Very truly yours,

(Enclosure)

Walter L. Eddy
Executive Secretary.

TO ALL FEDERAL RESERVE AGENTS.

COPY

September 19, 1923.

Dear Sir:-

Receipt is acknowledged of your letter of September 11 in which you request a ruling by the Federal Reserve Board on the question whether the notice of withdrawal given by a State member bank may remain effective for a month or two after the expiration of the six months' period in order that the bank may pay off certain obligations to the Federal Reserve Bank before withdrawing from the System.

The Board is of the opinion that the notice required by Section 9 of the Federal Reserve Act to be given by a State member bank before withdrawing from the Federal Reserve System, would remain in effect for a reasonable time after the expiration of the six months' period. The Federal Reserve Bank has the right to assume that the withdrawal will be effected at the expiration of the six months' period or within a reasonable time thereafter. The question what is a reasonable time is not susceptible of any definite answer; this must depend upon the circumstances of each particular case. The notice of withdrawal, however, could not legally remain effective indefinitely, as such an indefinite extension of the force of the notice would serve to nullify the requirements of the statute.

A State bank may, therefore, if it so desires, remain a member of the Federal Reserve System for a month or two after the expiration of the six months' period, for the purpose of paying off its obligations to the Federal Reserve Bank, without prejudicing its right to surrender its Federal reserve bank stock under the notice theretofore given. The actual withdrawal, however, cannot be delayed indefinitely but must take place, if at all, within a reasonable time after the expiration of the six months' period.

Very truly yours,

(Signed) D. R. Crissinger,

Governor.

G V:B