

FEDERAL RESERVE BOARD

WASHINGTON

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X-3950
January 22, 1924.

SUBJECT: Revocation by State Member Banks of notice of intention to withdraw.

Dear Sir:

The directors of a State member bank which had filed with the Federal Reserve Bank of its district the required six months' notice of intention to withdraw from the Federal Reserve System, passed a resolution prior to the expiration of the six months' notice revoking same. The last examination of the State member bank showed it to be in an unsatisfactory condition and the Federal Reserve Bank recommended to the Board that the State bank's membership be terminated as of the date of the expiration of the six months' notice, and that the bank be required to again apply for membership at that time in the regular manner.

The Federal Reserve Bank was advised by the Board as follows:

"You are advised that the _____ State Bank is still a member of the Federal Reserve Bank of _____ with all the incidents ordinarily attending such membership and the Board cannot legally cancel its membership on February 10 as you suggest. The notice of intention to withdraw from the Federal Reserve System which is required by Section 9 of the Federal Reserve Act is a prerequisite of withdrawal, but cannot be considered to be any part of the actual withdrawal itself. A State member bank which has given such notice but has not acted pursuant thereto continues to retain all the ordinary rights and privileges of membership in the System. The _____ State Bank, therefore, has all the rights and privileges of membership which it had before giving notice of intention to withdraw from the System, and the Federal Reserve Board consequently has no power to cancel the membership of this bank, except by acting under the terms of the seventh paragraph of Section 9 of the Federal Reserve Act which outlines the procedure for the expulsion of a bank from membership under certain conditions."

The Board also held that the State member bank "having

revoked the notice of intention to withdraw, could not, of course, now voluntarily withdraw from the System except by giving to the Board a new six months' notice of intention so to do."

Very truly yours,

Walter L. Eddy,
Secretary.

TO ALL F. R. AGENTS