

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARDX-3963
February 7, 1924.

SUBJECT: Increase of capital by State member bank
intending to withdraw.

Dear Sir:

One of the Federal reserve banks has requested the Federal Reserve Board to rule on the question of whether a State member bank should be required to apply for additional Federal Reserve Bank stock, under the following circumstances: The member bank filed notice of intention to withdraw from the Federal Reserve System and within the six months' period subsequent to the date of filing the notice of intention to withdraw, the member bank increased its capital stock.

The Board ruled as follows: "Inasmuch as the notice of intention to withdraw from the System required by Section 9 of the Federal Reserve Act is merely a prerequisite to withdrawal and cannot be considered any part of the actual withdrawal itself, a State member bank which has given such notice but has not yet acted pursuant thereto remains subject to all the provisions of the Federal Reserve Act which are applicable to other State member banks, and would, therefore, be subject to the provision of Section 5 of the Federal Reserve Act requiring an application for additional Federal Reserve bank stock upon an increase in the capital of the member bank. The mere fact that it has given notice of its intention to withdraw cannot be said to affect in any way the requirement that it subscribe for additional stock in such case.

"Under the terms of the law, therefore, the (name of member bank) must subscribe for an additional amount of capital stock in the Federal reserve bank, equal to 6 per cent of any increase in the amount of its own capital stock made prior to the time it actually withdraws from the Federal Reserve System."

Very truly yours,

Walter L. Eddy,
Secretary.

TO ALL FEDERAL RESERVE AGENTS.