

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-4322

April 17, 1925

Subject: Payment of Unearned Dividends to Liquidating or
Insolvent Member Banks.

Dear Sir:

The Chairman of one of the Federal Reserve Banks has raised a question as to whether a liquidating or insolvent member bank is entitled to receive one half of one per cent per month on Federal Reserve bank stock which is cancelled during a period in which the Federal Reserve bank is not earning the amount required to pay such dividend.

Sections 5 and 6 of the Federal Reserve Act, treating of the surrender of Federal Reserve bank stock by liquidating and insolvent member banks, provide that in addition to the cash paid subscriptions on stock such member banks shall be entitled to one half of one per centum per month from the period of the last dividend, not to exceed the book value of the stock. Under this definite requirement the Board is of the opinion that a Federal Reserve bank must pay to a liquidating or insolvent member bank one half of one per cent per month from the period of the last dividend, regardless of whether the earnings for the current dividend period are sufficient to make such payment, with the one condition that the amount paid to the member bank shall not exceed the book value of the stock. If the book value of the stock is sufficient, then one half of one per cent per month must be paid to the liquidating or insolvent member bank.

Very truly yours,

D. R. Crissinger,
Governor.

TO THE CHAIRMEN OF ALL FEDERAL
RESERVE BANKS EXCEPT KANSAS CITY.