

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6623

June 10, 1930.

SUBJECT: Amendment to Regulation H. re Voluntary
Withdrawal of State Member Banks.

Dear Sir:

You are advised that, on June 9, 1930, the Federal Reserve Board amended Regulation H effective immediately, by adding at the end thereof a new section, a copy of which is enclosed herewith.

In this connection, you are advised that, if a State bank requests the Board to waive six months' notice of its intention to withdraw from membership and it appears that it desires to withdraw from membership merely on account of some temporary condition or some friction with the Federal reserve bank, the Federal Reserve Board will not be disposed to waive the six months' notice; but, in the exercise of its discretion, will be disposed to require the bank to wait six months before withdrawing from membership, in order to give such bank an opportunity to reconsider the matter and possibly decide not to withdraw.

The regulation, as amended, will be printed as a separate pamphlet as soon as possible and a supply will be furnished to you. Please advise the Board how many you will require.

By Order of the Federal Reserve Board.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

Enclosure.

"SECTION VIII. VOLUNTARY WITHDRAWAL FROM FEDERAL RESERVE SYSTEM.

"1. General.- Any State bank or trust company desiring to withdraw from membership in a Federal reserve bank may do so after six months' written notice has been filed with the Federal Reserve Board; and the Federal Reserve Board, in its discretion and subject to such conditions as it may prescribe, may waive such six months' notice in individual cases and may permit such bank or trust company to withdraw from membership in a Federal reserve bank prior to the expiration of six months from the date of the written notice of its intention to withdraw.

The law provides, however, that no Federal reserve bank shall, except upon express authority of the Federal Reserve Board, cancel within the same calendar year more than 25 per centum of its capital stock for the purpose of effecting voluntary withdrawals during that year. All applications for voluntary withdrawals are required by law to be dealt with in the order in which they are filed with the Board.

"2. Resolution of Board of Directors.- Every notice of intention of a State bank or trust company to withdraw from membership in the Federal Reserve System and every application for the waiver of such notice should be accompanied by a certified copy of a resolution duly adopted by the board of directors of such bank authorizing the withdrawal of such bank from membership in the Federal Reserve System and authorizing a certain officer or certain officers of such bank to file such notice or application, to surrender for cancellation the Federal reserve bank stock held by such bank, to receive and receipt for any monies or other property due to such bank from the Federal reserve bank and to do such other things as may be necessary to effect the withdrawal of such bank from membership in the Federal Reserve System.

"3. Notice of Intention to Withdraw.- Any State bank or trust company desiring to withdraw from membership in a Federal reserve bank after six months' written notice should signify its intention to do so in a letter addressed to the Federal Reserve Board and mailed to the Federal reserve agent at the Federal reserve bank of which such State bank or trust company is a member. Such letter should state clearly the reason for the bank's desire to withdraw from membership, and should enclose a certified copy of the resolution of the board of directors of such bank required by sub-section 2 hereof. The Federal reserve agent shall immediately forward such notice to the Federal Reserve Board; and the bank giving notice will be permitted to withdraw from membership by surrendering its stock in the Federal reserve bank for cancellation six months after the date on which such notice was received by the Federal reserve agent, unless other such notices previously received during the same year would result in the cancellation of more than 25 per centum of the capital stock of such Federal reserve bank during that calendar year.

"4. Application for Waiver of Notice.- Any State bank or trust company desiring to withdraw from membership in a Federal reserve bank

without awaiting the expiration of six months from the date of its written notice of intention to do so shall address a letter to the Federal Reserve Board applying for permission to withdraw from membership prior to the expiration of six months and requesting the Federal Reserve Board to waive the six months' notice usually required. Such letter shall be accompanied by the certified copy of a resolution of the board of directors of such bank required by sub-section 2 hereof, and shall be forwarded to the Federal reserve agent at the Federal reserve bank of which the applying bank is a member. The Federal reserve agent shall forward such application to the Federal Reserve Board with a definite recommendation that the application be approved or disapproved and with a full statement of his reasons for such recommendation. Unless there are exceptional circumstances justifying it, the Federal Reserve Board will not be disposed to waive such notice; and no such application will be approved by the Federal Reserve Board if the banks owning more than 10 per cent of the capital stock of such Federal reserve bank have previously filed notice of their intention to withdraw from membership during the same calendar year.

"5. Time and Method of Effecting Actual Withdrawal.- A bank's withdrawal from membership in the Federal Reserve System is effective on the date on which the Federal reserve bank stock held by it is duly cancelled. Until such stock has been cancelled, such bank remains a member of the Federal Reserve System, is entitled to all the privileges of membership and is required to comply with all provisions of law and all regulations of the Federal Reserve Board pertaining to member banks and with all conditions of membership applicable to it. Upon the cancellation of such stock all rights and privileges of such State bank or trust company as a member bank cease and determine.

Upon the expiration of six months after notice of intention to withdraw from membership was received by the Federal reserve agent, or upon the waiving of such six months' notice by the Federal Reserve Board, therefore, such bank or trust company should surrender its stock and its certificate of membership to the Federal reserve bank and request that same be cancelled and that all amounts due to it from the Federal reserve bank be refunded. Unless this is done within two months after the expiration of such six months' notice or after the waiver of such notice by the Federal Reserve Board, or unless the bank requests and the Board grants, an extension of time before the expiration of such two months, such bank will be presumed to have abandoned its intention of withdrawing from membership and will not be permitted to withdraw without again giving six months' written notice or obtaining the waiver of such notice.

Upon the cancellation of such stock and, after due provision has been made for any indebtedness due or to become due to the Federal reserve bank, such bank shall be entitled to a refund of its cash paid subscription with interest at the rate of one-half of one per centum per month from the date of last dividend, if earned, the amount refunded in no event to exceed the book value of the stock at that time, and shall likewise be entitled to the repayment of deposits and of any other balance due from the Federal reserve bank.

"6. Withdrawal of Notice.- Any bank or trust company which has given notice of its intention to withdraw from membership in a Federal reserve bank, may withdraw such notice at any time before its stock has been cancelled and upon doing so may remain a member of the Federal Reserve System."