

FEDERAL RESERVE BOARD

116

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-7812

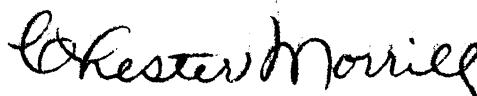
March 8, 1934.

SUBJECT: Continuance of Conservators'  
General Accounts.

Dear Sir:

There is attached, for your information, a copy of a letter addressed by the Federal Reserve Board to the Comptroller of the Currency under date of March 7, 1934, with regard to the maintenance by a Federal reserve bank of the general account of a conservator after the redemption of the Federal reserve bank stock held by the bank with respect to which he is acting as conservator.

Very truly yours,



Chester Morrill,  
Secretary.

Inclosure.

TO ALL CHAIRMEN.

COPY

X-7812-a

March 7, 1934.

Honorable J. F. T. O'Connor,  
Comptroller of the Currency,  
Washington, D. C.

My dear Mr. Comptroller:

This is in reply to your memorandum of January 17, 1934, which has specific reference to the conservator of The Garden City National Bank, Garden City, Kansas, but in which you ask the Board to advise the various Federal reserve banks generally that if they desire to do so they may continue to carry the accounts of a conservator even after the redemption of the Federal reserve bank stock held by the bank with respect to which he is acting as conservator. Your letter states that the conservator of The Garden City National Bank has recently redeemed the bank's stock in the Federal Reserve Bank of Kansas City and that it is contemplated that the conservatorship will soon be terminated in order that the old bank may be returned to its Board of Directors for the sole purpose of entering into a contract under which the remaining liabilities of the old bank will be assumed by a newly organized bank pursuant to a plan of reorganization. It is understood that your letter refers to the "General Accounts" carried by conservators pursuant to the instructions issued by your office under date of April 4, 1933.

Although Federal reserve bank stock may not under the law be transferred or hypothecated, the proceeds thereof upon surrender and cancellation in a case such as you describe may be applied by the Federal reserve bank in payment for stock issued to the new bank, if this is properly authorized; and it is usually possible to arrange to obtain the proceeds of the stock of the old bank at or about the time stock is issued to the new bank. It is not entirely clear therefore, why it is necessary in cases such as you describe to surrender the stock standing in the name of the old bank prior to the organization of the new bank. However, in cases in which the Federal reserve bank is satisfied that it is necessary in the furtherance of the organization of a new member bank to succeed to the business of a national bank in the hands of a conservator, under a plan which has been actively instituted prior to cancellation of the Federal reserve bank stock of the old bank, the Federal Reserve Board will interpose no objection to the continued maintenance of the conservator's general account with the Federal reserve bank and acceptance of deposits therein for such period of time as may reasonably be required for the consummation of the plan and in no event after the completion of the organization of the new bank or after the date upon which it becomes evident that the plan will not be consummated.

Copies of this correspondence are being furnished to all Federal reserve banks for their information.

Very truly yours,  
(Signed) Chester Morrill  
Chester Morrill,  
Secretary.