

capital stock of the Federal Reserve Bank of its district equal to six percent of the paid-up⁴ capital and surplus of such national bank. If the application is found to be in proper form it will be approved by the Federal Reserve Bank effective if and when the Comptroller of the Currency issues to such bank his certificate of authority to commence business. Upon approval, the applying bank shall thereupon⁵ pay the Federal Reserve Bank of its district one-half of the amount of its subscription and, upon receipt of advice from the Federal Reserve Bank as to the required amount, one-half of one per cent of its paid-up subscription for each month from the period of the last dividend, and upon receipt of the payment for Federal Reserve Bank stock the Federal Reserve Bank will issue a receipt therefor, place the amount in a suspense account, and notify the Comptroller of the Currency that it has been received. When the Comptroller of the Currency issues his certificate of authority to commence business the Federal Reserve Bank will issue a stock certificate as of the date upon which the bank opens for business. The remaining half of the subscription of the

is increased or decreased, the national bank shall file an application on Form FR 56, as provided in § 209.3, for additional shares of Federal Reserve Bank stock or for cancellation of Federal Reserve Bank stock. The certificate of stock issued in the name of the State member bank shall be surrendered and canceled, and a new certificate will be issued in lieu thereof in the name of the national bank, as provided in § 209.13.

⁴ Subscriptions to the capital stock of the Federal Reserve Bank must be made in an amount at least equal to six per cent of the amount of the capital and surplus of the applying bank which is to be paid in at the time the Comptroller of the Currency authorizes it to commence business. In order to avoid the necessity of making applications for additional stock in the Federal Reserve Bank, as additional installments of the capital and surplus of the applying bank are paid in, application may be made for stock in the Federal Reserve Bank in an amount equal to six percent of the authorized capital of the applying bank, plus six per cent of the amount of surplus, if any, which the subscribers to the capital of the applying bank have agreed to pay in.

⁵ Payment may be made, if desired, at any time prior to approval of the application.

applying bank will be subject to call when deemed necessary by the Board of Governors of the Federal Reserve System.

§ 209.2 State bank becoming member.

Any State bank, Morris Plan bank, or mutual savings bank, desiring to become a member of the Federal Reserve System shall make application as provided in part 208 of this chapter (Regulation H) and, when such application has been approved by the Board of Governors of the Federal Reserve System and all applicable requirements have been complied with, the Federal Reserve Bank will issue an appropriate certificate of Federal Reserve Bank stock as provided in § 208.5(b) of this chapter.

§ 209.3 Increase or decrease of capital or surplus.

Whenever any member bank increases or decreases the aggregate amount of its paid-up capital and surplus,⁶ it shall file with the Federal Reserve Bank of its district an application on Form FR 56 for such additional amount or for the cancellation of such amount, as the case may be, of the capital stock of the Federal Reserve Bank of its district as may be necessary to make its total subscription to Federal Reserve Bank stock equal to six percent of its combined capital and surplus. After an application for additional Federal Reserve Bank stock has been approved by the Federal Reserve Bank, the applying member bank shall pay to the Federal Reserve Bank of its district one-half of its additional subscription, plus one-half of one percent a month from the period of the last dividend on such Federal Reserve Bank stock, whereupon the appropriate certificate of stock will be issued by the Federal Reserve Bank. The remaining

⁶ If a member bank sets up a reserve for dividends payable in common stock, such reserve will be regarded as surplus for the purpose of determining the amount of Federal Reserve Bank stock which the bank is required to hold, provided such reserve is established pursuant to a resolution of the board of directors, will become a part of the permanent capital of the bank, and will not be used for any other purpose than the payment of dividends in common stock.

half of such additional subscription will be subject to call when deemed necessary by the Board of Governors of the Federal Reserve System. After an application for cancellation of Federal Reserve Bank stock has been approved, the Federal Reserve Bank will accept and cancel the stock which the applying bank is required to surrender, and will pay to the member bank a sum equal to all cash paid subscriptions made on the stock canceled plus one-half of one percent a month from the period of the last dividend, not to exceed the book value thereof.

§209.4 Increase or decrease of deposits by mutual savings bank.

Whenever, as shown by the last report of condition as of a date preceding January 1 or July 1 of each year, the total deposit liabilities of a mutual savings bank which is a member of the Federal Reserve System have increased or decreased since the last adjustment of its holdings of Federal Reserve Bank stock, the bank shall file with the Federal Reserve Bank of its district an application on Form FR 56a for such additional amount or for the cancellation of such amount, as the case may be, of Federal Reserve Bank stock of its district as may be necessary to make its total subscription to Federal Reserve Bank stock equal to six-tenths of one percent of its total deposit liabilities as shown by such last report of condition, and Federal Reserve Bank stock will be issued or canceled in the manner described in §209.3. In the case of any mutual savings bank which is not permitted by the laws under which it was organized to purchase stock in the Federal Reserve Bank and has a deposit with the Federal Reserve Bank in lieu of such subscription, such deposit will be adjusted in the same manner as subscriptions for stock.

§209.5 Merger or consolidation.

(a) Whenever two or more member banks merge or consolidate and such action results in the merged or consolidated bank acquiring by operation of law⁷ the Federal Reserve Bank stock

owned by the other bank or banks, and which also results in the merged or consolidated bank having an aggregate capital and surplus in excess of, or less than, the aggregate capital and surplus of the merging or consolidating member banks, such merged or consolidated bank shall, as provided in §209.3, file with the Federal Reserve Bank of its district an application on Form FR 56 for such additional amount, or for the cancellation of such amount, as the case may be, of Federal Reserve Bank stock of its district as may be necessary to make its total subscription to Federal Reserve Bank stock equal to six percent of its combined capital and surplus. In any such case, the merged or consolidated bank shall surrender to the Federal Reserve Bank the certificates of Federal Reserve Bank stock held by the merged or consolidated bank and a new certificate will be issued as provided in §209.13(b).

(b) Whenever a member bank merges or consolidates with a nonmember bank, under the charter of the latter bank, an application on Form FR 86a shall be filed with the Federal Reserve Bank for cancellation of Federal Reserve Bank stock held by the member

banks shall not be transferred or hypothecated." This provision prevents a transfer of Federal Reserve Bank stock by purchase, but does not prevent a transfer by operation of law. Where one member bank purchases all or a substantial portion of the assets of another member bank, the latter being placed in liquidation, it is necessary for the liquidating bank to surrender its Federal Reserve Bank stock, as provided in §209.8, and for the purchasing bank, if its capital and surplus is increased or decreased, to adjust its holdings of Federal Reserve Bank stock as provided in §209.3.

If the assets and obligations of a merging or consolidating member bank are transferred to a merged or consolidated member bank by operation of law, no bank being placed in liquidation, the merged or consolidated bank becomes the owner of the Federal Reserve Bank stock of the merging or consolidating bank as soon as the merger or consolidation takes effect, and a new certificate representing Federal Reserve Bank stock will be issued as provided in §209.13(b). Mergers or consolidations under the acts of Congress providing for the merger or consolidation of national banking associations (12 U.S.C. 215, 215a) meet all of these conditions.

⁷ Section 5 of the Federal Reserve Act provides that "Shares of the capital stock of Federal Reserve Banks owned by member