

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