

§ 933.25

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be carried out in accordance with § 933.29 of this part.

(3) *Dividends on acquired Bank stock.* The consolidated institution is entitled to receive dividends on outstanding Bank stock acquired in the consolidation from the disappearing institution in accordance with section 6(g) of the Act, 12 U.S.C. 1426(g), and § 932.3 of this chapter.

(4) *No voting rights.* The consolidated institution may not vote the Bank stock acquired in the consolidation from the disappearing institution.

[58 FR 43542, Aug. 17, 1993. Redesignated and amended at 61 FR 42542, 42549, Aug. 16, 1996]

**§ 933.25 Consolidations involving non-members.**

(a) *Termination of membership.* If a member is consolidated into an institution that is not a member, its membership in the Bank terminates upon cancellation of its charter.

(b) *Notification of decision to seek membership.* When a consolidated institution resulting from a consolidation described in paragraph (a) of this section has its principal place of business in a state in the same Bank district as the disappearing institution, the consolidated institution shall have 60 calendar days after the cancellation of the charter of the disappearing institution to notify the disappearing institution's Bank that it intends to apply for membership in such Bank.

(c) *Application for membership.* If the consolidated institution has provided notification pursuant to paragraph (b) of this section, it must apply for membership pursuant to subpart B of this part within 60 calendar days of the notification.

(d) *Treatment of outstanding advances, Bank stock and minimum stock requirements—(1) Prior to membership approval.* The disappearing institution's Bank may permit the consolidated institution to continue to hold any outstanding Bank advances and stock, and the consolidated institution shall have the limited rights associated with such stock in accordance with paragraphs (e) and (f) of this section: (i) During the initial 60-day notification period; (ii) for 60 calendar days after receipt of notification that the consolidated institution intends to apply for member-

ship; and (iii) during the processing of an application for membership.

(2) *Upon membership approval.* (i) If the application of the consolidated institution for membership is approved, the transfer of the Bank stock held by the disappearing institution to the consolidated institution shall be deemed approved by the Board pursuant to section 6(f) of the Act, 12 U.S.C. 1426(f).

(ii) If the application of the consolidated institution for membership is approved:

(A) The consolidated institution shall purchase any additional amount of stock required to meet the minimum stock requirement of § 933.20(a) of this part, based on the consolidated institution's total assets, within 60 calendar days of the date of approval of membership; or

(B) At the election of the consolidated institution, the amount of stock required to be purchased to meet the requirement of § 933.20(a) of this part may be purchased in installments, provided that not less than one-fourth of such total additional amount shall be purchased within 60 calendar days of the date of approval of membership, and that a further sum of not less than one-fourth of such total additional amount shall be purchased at the end of each succeeding period of four months from the date of approval of membership.

(iii) A consolidated institution that has been approved for membership shall become a member at the time it purchases the additional amount of stock required to meet the minimum stock requirement of § 933.20(a) of this part or the first installment thereof.

(3) *Upon failure to apply for or be approved for membership.* If the consolidated institution does not apply for membership, or if its application for membership is denied, then the liquidation of any outstanding indebtedness owed to the disappearing institution's Bank and redemption of stock of such Bank shall be carried out in accordance with § 933.29 of this part, and the consolidated institution shall have the limited rights associated with such stock in accordance with paragraphs (e) and (f) of this section.

(e) *Dividends on acquired Bank stock.* The consolidated institution is entitled

to receive dividends on outstanding Bank stock acquired in the consolidation from the disappearing institution in accordance with section 6(g) of the Act, 12 U.S.C. 1426(g), and §932.3 of this chapter.

(f) *No voting rights on acquired Bank stock.* The consolidated institution may not vote the Bank stock acquired in the consolidation from the disappearing institution unless and until the consolidated institution is a Bank member.

(The information collection requirements contained in this section have been approved where applicable by the Office of Management and Budget under control number 3069-0004)

[58 FR 43542, Aug. 17, 1993, as amended at 58 FR 50837, Sept. 29, 1993. Redesignated and amended at 61 FR 42542, 42549, Aug. 16, 1996]

### Subpart F—Withdrawal and Removal From Membership

SOURCE: 58 FR 43542, Aug. 17, 1993, unless otherwise noted. Redesignated at 61 FR 42542, Aug. 16, 1996.

#### §933.26 Procedure for withdrawal.

(a) *Notice of withdrawal.* Any member that is eligible under applicable law to withdraw from Bank membership may do so after providing the Board and its Bank at least six months written notice of the member's intention to withdraw from membership.

(b) *Cancellation of notice of withdrawal.* A member may cancel its notice of withdrawal by providing both the Board and its Bank written notice of cancellation any time before the effective date of the withdrawal.

(c) *Treatment of outstanding advances and Bank stock.* The liquidation of any outstanding indebtedness owed to the Bank in which membership has been terminated and redemption of stock of such Bank shall be carried out in accordance with §933.29 of this part.

(d) *Dividends on Bank stock.* An institution that has withdrawn from Bank membership pursuant to this section is entitled to receive dividends on outstanding stock of the Bank in which membership has been terminated in accordance with section 6(g) of the Act, 12 U.S.C. 1426(g), and §932.3 of this chapter.

(e) *No voting rights on Bank stock.* An institution that has withdrawn from Bank membership pursuant to this section may not vote the Bank stock.

(The information collection requirements contained in this section have been approved where applicable by the Office of Management and Budget under control number 3069-0004)

[58 FR 43542, Aug. 17, 1993, as amended at 58 FR 50837, Sept. 29, 1993. Redesignated and amended at 61 FR 42542, 42549, Aug. 16, 1996]

#### §933.27 Procedure for removal.

(a) *Bank request for removal.* If a Bank believes that any of the grounds for removal of a member from membership contained in paragraph (b) of this section exists, the Bank may submit a written request to the Board stating the grounds for removal and recommending removal of the member from membership.

(b) *Grounds.* The following are grounds for removing a member from membership in a Bank:

(1) Failure by the member to comply with any provision of the Act or any regulation of the Board adopted under the Act;

(2) Insolvency of the member. A member is deemed insolvent if its assets are less than its liabilities;

(3) The member's management or home-financing policies are inconsistent with sound and economical home financing or with the purposes of the Act; or

(4) Any other condition exists with respect to the member that the Board believes would jeopardize the safety and soundness of the member's Bank.

(c) *Procedure.* (1) If the Board believes that any of the grounds for removal contained in paragraph (b) of this section exist, and it believes that the member should be removed from membership, it shall provide the member with at least 30 calendar days written notice of its intention to remove the member from membership.

(2) Such notice shall be served as determined by the Board and shall state the grounds for such removal action and the time and place of a hearing at which the member may be heard.

(3) A hearing on such removal action shall be conducted in accordance with procedures established by the Board.