

CONSOLIDATION

THERE are three distinct circumstances in which consolidations are effected between national banks:

1—When neither bank is placed in liquidation.

2—When one bank is placed in liquidation.

(a) Without an increase of capital.

(b) With an increase of capital.

3—When both banks are placed in liquidation.

1. *Neither bank liquidating*—Until the passage of an amendment to the National Bank Act on November 7, 1918, it had always been necessary for at least one of two consolidating banks to liquidate. The law as it now stands, however, permits consolidation of banks without liquidation of either, where such a course is desired. The two banks that are to merge must, however, be located in the same “county, city, town, or village.”

After it has been informally agreed that two or more banks are to consolidate, an application to pursue such a course is sent to the Comptroller, who, if he approves, will return notice of his approval, together with instructions as to course of procedure and the forms that must be executed.

The directors of the two associations then enter into an agreement covering the terms of consolidation, which must be approved by the owners of at least two-thirds the capital stock of each institution. Before a meeting of the shareholders to consider the consolidation agreement may be held, it must have been advertised for four consecutive weeks in a newspaper published in the place where the banks are located, and notices of the meeting must have been sent to each shareholder, by registered mail, at least 10 days before the meeting.

A certified copy of the resolution of the shareholders approving the consolidation (this certified copy containing a complete recital of the consolidation agreement) must be sent to the Comptroller, who will issue a formal certificate approving the consolidation.

Where an increase in capital is provided in the consolidation agreement, or where there is in the agreement a provision requiring the paying in of cash in addition to the transfer of assets, to equalize