



FEDERAL RESERVE BANK
OF DALLAS

April 14, 1920.

TO THE BANK ADDRESSED:


Judge Beverly D. Evans, sitting in the District Court of the United States for the Northern District of Georgia on April 3rd, dismissed the suit brought by the Georgia State Banks against the Federal Reserve Bank of Atlanta to prevent it from collecting at par checks on non-member State banks. Proceedings were commenced in the Superior Court of Fulton County, Georgia, and were removed to the Federal Court on motion of the Federal Reserve Bank.

In a written opinion Judge Evans held that the Federal Court and not the State Court had power to decide the questions raised, and, after considering the right of the Federal Reserve Banks to present checks at the counter of non-member banks and demand cash, held that the Federal Reserve Banks are authorized to handle checks upon non-member banks, and that presentation at the counter of the drawee bank was a proper method of collecting. Deciding this point the court in its opinion says:

"When the allegations of the bill with its legal conclusions and interesting historical statement as to the origin and scope of State banks are reduced to their last analysis, the charge of the complaining bank is, that the Reserve Bank is without power, (or if it has the power, it should be restrained from exercising it), to collect checks on banks of deposit received by it in the course of business by presenting them for payment through agents over the counter of the drawee banks. That this method of collecting checks will deprive the drawee banks of the revenue previously enjoyed where checks on them came through the mails from correspondent banks does not make the transaction unlawful. It is the duty of the drawee bank to pay a check of the drawer, if it holds sufficient funds of the drawer to pay it. It is no less the duty of the drawee bank to pay several checks than it is to pay a single check, when presented over the counter within banking hours. The policy of the Reserve Bank of Atlanta, as outlined in the petition, is neither ultra vires nor unlawful."

This decision is a final adjudication of the controversy unless the complaining State banks appeal to the higher Federal Courts. Pending such an appeal the Federal Reserve Bank of Atlanta is free to collect checks at par on non-member State banks, either by presenting such checks at the counter and demanding cash in payment, or in any other lawful way.

Yours respectfully,


Governor.