

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, January 30, 1929 at 10:45 a.m.

PRESENT: Governor Young
Mr. Platt
Mr. Hamlin
Mr. James
Mr. Cunningham
Mr. Eddy, Secretary
Mr. McClelland, Asst. Secretary

PRESENT ALSO: Mr. Wyatt, General Counsel
Mr. Vest, Asst. Counsel
Mr. Heath, Federal Reserve Agent
at Chicago.

The Governor stated that the meeting was called for the purpose of permitting Mr. Heath to present and discuss with the Board an application for membership in the System and for 10,800 shares of stock in the Federal Reserve Bank of Chicago by the Central Trust Company of Illinois, Chicago, Ill. to which a new charter was issued by the banking authorities of Illinois on January 14th, in connection with a consolidation with the Bank of America of Chicago, a nonmember.

Mr. Heath stated that prior to the consolidation, and for some time thereafter, it had been assumed that the consolidation would be effected under the old charter of the Central Trust Company of Illinois, but that under a court construction of state law the issuance of a new charter was necessary and upon communicating with the Board's Counsel he was informed that this would involve a new application for membership in the System by the Central Trust Company of Illinois. Mr. Heath stated that he, thereupon, took steps to secure such an application from the directors of the consolidated bank and requested prompt action thereon by the Board in view of the fact that the Central Trust Company of Illinois is owing the Federal Reserve Bank of Chicago about \$5,500,000 and is carrying a

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reserve account with the Federal reserve bank.

After a considerable discussion, during which it was brought out that the old Central Trust Company of Illinois was a charter member of the Federal Reserve Bank of Chicago and was admitted to the System without any conditions of membership, some members of the Board expressed a desire to familiarize themselves with all facts in the case before acting upon the new application for membership.

The meeting recessed at 11:15 o'clock in order that members of the Board might have an opportunity of going over the papers in the case.

At 3:10 p.m., the meeting reconvened, the following members being present - Governor Young, Mr. Hamlin, Mr. Miller, Mr. James, Mr. Cunningham and Mr. McClelland, Assistant Secretary.

The Governor presented a report of the Committee on Examinations, recommending approval of the application of the new Central Trust Company of Illinois for membership in the Federal Reserve System, subject to the usual conditions of membership; the report setting out briefly the condition of the old Central Trust Company of Illinois and the Bank of America with which it consolidated.

After discussion, upon motion, it was voted to approve the application of the Central Trust Company of Illinois, Chicago, Ill. for membership in the Federal Reserve System and for 10,800 shares of stock in the Federal Reserve Bank of Chicago, subject to the regular conditions of membership set out in the Board's Regulation H.

At this point, Mr. Platt joined the meeting.

The Governor presented a telegram dated January 30th from the Chairman of the Federal Reserve Bank of Dallas, advising that the Comptroller of the Currency has approached Mr. E. B. Stroud, member of the firm Locke, Locke, Stroud and Randolph, counsel for that bank, with reference to his employment on behalf of Thomas A. Early, Receiver of the Farmers and Merchants National

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Bank of Lake City, S. C., in a suit against the Federal Reserve Bank of Richmond; the Chairman stating that the Federal Reserve Bank of Dallas is not only willing but desirous of having Mr. Stroud accept the employment as, in its opinion, the decision of the Circuit Court of Appeals in the case will result in disadvantage to the Federal Reserve Bank of Dallas. In his telegram, the Chairman requested an expression of the views of the Board as to whether Mr. Stroud should accept the case.

Mr. Wyatt, the Board's General Counsel, was called into the meeting and explained the case, which is, briefly, to recover from the Federal Reserve Bank of Richmond a reserve balance of \$22,088.48, carried by the Farmers and Merchants National Bank of Lake City, S. C. at the time of its failure and the sum of \$4,115.15, being the surrender value of stock in the Federal Reserve Bank owned by the national bank at the time of its failure, which the Federal Reserve bank pleaded the right to apply on checks drawn on the member bank which it had received and forwarded to the member bank for the purpose of effecting collection. Mr. Wyatt stated that at the last conference of Counsel, ten of the Federal Reserve banks were of the opinion that settlement should be made by the Federal Reserve Bank of Richmond without suit, but that the Federal Reserve Bank of Richmond had allowed the matter to be taken to court with the result that the district court ruled in favor of the receiver for the national bank. He stated that appeal was then made by the Federal Reserve Bank of Richmond and that the United States Circuit Court of Appeals had reversed the decision of the trial court with an opinion which, if sustained, might result in numerous suits against the various Federal Reserve banks in cases where uncollected checks on failed banks

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had been turned back to endorsers, rather than charged against the reserve account of the member bank on which drawn. He stated that the Comptroller is endeavoring to appeal the case to the Supreme Court of the United States and is desirous of securing the services of Mr. Stroud in the appeal.

In this connection, Mr. Wyatt also discussed with the Board a memorandum prepared by him on this date with respect to a suggestion by Counsel for the Federal Reserve Bank of Minneapolis, as to the policy to be pursued by that bank in asserting rights on behalf of depositors of unremitted for transit items against receivers of insolvent member banks; Judge Ueland's suggestion being that the Federal Reserve bank insist upon the right to charge such items not only to the reserve account and capital stock account of the insolvent bank but also against additional collateral taken for rediscounts. Mr. Wyatt suggested that it would be advisable to hold a conference of Counsel for all the Federal Reserve banks in the near future to discuss the questions raised by Judge Ueland's suggestion and by certain recent court decisions affecting the collection of checks, including that in the case above referred to.

After a general discussion, it was voted that the following telegram be transmitted to the Chairman of the Federal Reserve Bank of Dallas:

"Your telegram. Without at this time expressing any opinion as to whether it is to our advantage or disadvantage in reference to the Early case, Board is of the opinion that Stroud should not accept employment on behalf of anyone bringing action against a Federal reserve bank while he is retained as Counsel for another Federal reserve bank."

Action with respect to Counsel's recommendation that a conference of Counsel be held in the near future was deferred.

The Governor then called attention to the special order of business for this meeting, namely, the proposed letter to the boards of directors of all Federal

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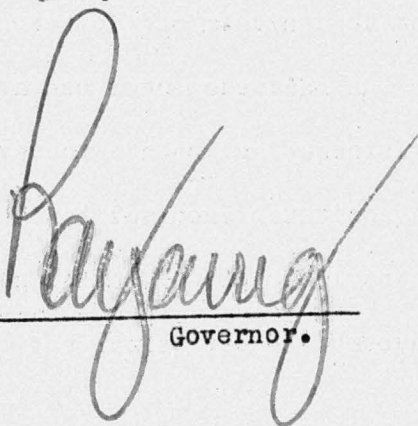
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Reserve banks on the subject of the proper use of the credit facilities of the Federal Reserve banks by member banks which had been deferred because of other business before the Board.

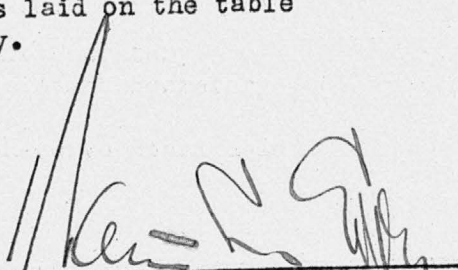
Upon motion, the proposed letter was laid on the table until the meeting of the Board on Friday.

The meeting adjourned at 5:15 p.m.

Approved:



Governor.



Secretary.