

# FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-4083  
June 11, 1924.

SUBJECT: Necessity for Individual Surety Bonds for  
Federal Reserve Agents and Assistant Federal  
Reserve Agents.

Dear Sir:

The question has been raised whether individual surety bonds for Federal reserve agents and assistant Federal reserve agents are necessary in view of the fact that the Federal reserve banks carry bankers' blanket bonds which purport to cover all losses which are covered by the individual surety bonds. It appears that some of the Federal reserve banks are under the impression that because of these blanket bonds there is no necessity for such individual surety bonds, and especially in cases where the blanket bonds contain clauses expressly covering the acts of Federal reserve agents and assistant Federal reserve agents.

Section 11(i) of the Federal Reserve Act authorizes and empowers the Federal Reserve Board "to require bonds of Federal reserve agents". Notwithstanding the permissive character of this provision, the Board believes that in order adequately to protect the interests of the United States it should require bonds of the Federal reserve agents running directly to the Government, and it has accordingly always required Federal reserve agents to execute individual surety bonds for the protection of the United States. The Board has likewise required that all assistant Federal reserve agents execute such individual surety bonds in accordance with the terms of the mandatory provision of Section 4 of the Act that "The Federal Reserve Board shall require such bonds of the assistant Federal reserve agents as it may deem necessary for the protection of the United States."

It may be that the bankers' blanket bonds which are carried by the Federal reserve banks are sufficient to protect the banks and the United States against all losses which are covered by the individual surety bonds executed by the Federal reserve agents and assistant Federal reserve agents. It should be noted, however, that these blanket bonds are in substance no more than insurance policies obligating the insurance companies only and imposing no liability whatever upon the Federal reserve agents or assistant agents. It is well recognized that the term "bond" as used in this connection refers to an instrument in which there is a double liability, that of the principal obligor as well as that of the surety. The bankers' blanket bonds carried by the Federal reserve banks are not such instruments.

The direct primary liability of the Federal reserve agent or assistant agent assumed under a surety bond in which he is the principal obligor is in the Board's opinion necessarily contemplated by the law and this requirement is not satisfied by an insurance policy. Under the law, therefore, the Board may not properly permit its agents to discontinue their individual surety bonds.

It is apparent that a provision contained in the bankers' blanket bonds specifically covering the acts of the Federal reserve agents and assistant agents does not meet the Board's objections to the discontinuance of the use of individual surety bonds for the agents and their assistants. Such a clause would, of course, do away with any uncertainty as to whether the bankers' blanket bonds were sufficiently broad in terms to cover the Federal reserve agents and their assistants, but it does not change the nature of the blanket bond which is essentially an insurance policy, nor does it impose any direct primary liability on the Federal reserve agents or assistant agents. The Board, therefore, does not feel that it can properly permit Federal reserve agents or assistant agents to be relieved of their individual surety bonds even in a case where the Federal reserve bank carries a bankers' blanket bond containing a clause expressly extending the scope of the bond to cover the acts of the Federal reserve agent and his assistants.

Yours very truly,

D. R. Crissinger,  
Governor.

TO ALL FEDERAL RESERVE AGENTS.