

**FEDERAL RESERVE BOARD**

WASHINGTON

August 23, 1927.

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

SUBJECT: Par Clearance Suit Against Federal Reserve Bank  
of Minneapolis.

Dear Sir:

In 1925 the First State Bank of Hugo, Minnesota, a non-member bank, instituted suit in the State court against the Federal Reserve Bank of Minneapolis for damages alleged to have been sustained by reason of the action of the Federal Reserve Bank in attempting to collect at par checks drawn on the plaintiff. The complaint alleged in substance that the Federal Reserve Bank, in order to coerce the plaintiff to remit at par during the year 1920, presented checks over the counter by means of an agent until the plaintiff finally surrendered and agreed to remit at par, which it continued to do until October 1, 1924. In May of this year the case came to trial and a verdict was rendered by the jury against the Federal Reserve Bank in the sum of \$1,229.99. The Federal Reserve Bank is now preparing to file a brief in support of a motion for judgment in its favor notwithstanding the verdict of the jury or, in the alternative, for a new trial.

As a result of the verdict rendered in this case a collection agency is soliciting from other banks in the Ninth District claims against the Federal Reserve Bank of Minneapolis growing out of the par collection of checks by the Federal Reserve Bank. For your information a copy of the circular which is being sent out by the collection agency in this connection is enclosed herewith.

Very truly yours,

Walter L. Eddy,  
Secretary.

Enclosures.

TO GOVERNORS AND FEDERAL RESERVE AGENTS OF ALL FRBANKS

Harry F. Hart  
Collection Agency.

May 27, 1927.

Gentlemen:

I am taking the liberty of addressing this letter to you personally, as it pertains to the interest of your bank as well as to your own interests.

Recently our attention was called to the methods the Ninth District Federal Reserve Bank of Minneapolis used against certain State Banks, regarding an exchange fee that these certain State Banks were entitled to charge on checks drawn on them thru other banks. They requested all checks to be cleared thru them at par.

Upon the failure of certain State Banks to acquiesce to this request, the Federal Bank proceeded to use pressure to collect all its checks daily at the bank's counter. This method could be carried out with great expense to the Federal Reserve Bank, by them forwarding the checks drawn on your bank, to some agent in your town, they generally using the Express Agent, who would take the checks to the bank and present them for collection, demanding payment at a par rate in cash. This practice was characterized by certain banks as coercive, and as a measure intended solely to force non-member banks to accede to the federal bank's regulations and demands, "no matter how expensive."

Such procedure on the part of the Federal Reserve Bank, we believe was unlawful, and it has deprived certain banks of profits annually which they were entitled to. We know of a great number of banks who have been deprived of such profits, and we are at this time making a complete survey of all banks located in the Ninth District, for the purpose of knowing who are interested in recovering their unjust losses, caused by requests and demands of the Federal Reserve Bank.

If your bank is interested, having been deprived of fees and profits caused by such acts and demands of the Federal Reserve Bank, kindly answer the enclosed questions and return them to me at once.

Yours very truly,

(signed) Harry F. Hart

P. S. As you will notice, we are a bonded Agency, and will give you protection and service, if permitted to handle your claim.

(C O P Y)

Kindly answer the following questions.  
and return them, as it is to your interests.

1. Are you a member of the Ninth District Federal Reserve Bank of Minneapolis? \_\_\_\_\_
2. If so, how long have you been a member? \_\_\_\_\_
3. Do you clear checks thru the Federal Reserve Bank? \_\_\_\_\_
4. How long have you cleared checks thru the Federal Reserve Bank? \_\_\_\_\_
5. Has the Federal Reserve Bank ever demanded that your checks be cleared thru them at par? \_\_\_\_\_
6. Has the Federal Reserve Bank ever used any drastic or embarrassing methods in clearing your checks, other than used by other corresponding banks? \_\_\_\_\_
7. Has the Federal Reserve Bank ever collected your checks over the counter at par, by sending them to an Express Agent, or someone else in your town for collection, demanding cash for them? \_\_\_\_\_
8. If your checks were cleared by the Federal Reserve Bank at par, at their request, what do you estimate your losses have been each year for clearing checks at their request? \_\_\_\_\_
9. Did you approve of the regulations, methods and demands the Federal Reserve Board used in clearing your checks? \_\_\_\_\_
10. If your bank has been deprived of fees and profits caused by such acts and demands of the Federal Reserve Bank, would you be interested in having your claim collected on a contingent arrangement, without any cost to you? \_\_\_\_\_

(If you are not a member of the Federal Reserve Bank and have cleared your checks thru them at their request and demand, kindly answer all the above questions.)