

FEDERAL RESERVE BANK
OF NEW YORK

November 22, 1927.

Dear Governor Young:

On November 17 I forwarded to you a copy of the Minutes of the recent Conference of Governors and I have today forwarded a letter referring specifically to certain matters acted upon at the Conference which were submitted to the Federal Reserve Board for its advice and approval or upon which the Board has asked for the opinion or recommendation of the Conference.

As indicated in the Minutes as well as in the letter of today's date, the Conference voted (see paragraph 17, Secretary's Minutes) that in its opinion it would be advisable for the Federal Reserve Board to call a conference of the counsel of the several Federal reserve banks in Washington at a reasonably early date to meet with Mr. Wyatt and Mr. Baker to consider the various legal questions pending before the System. While the Conference voted to request the counsel of the several Federal reserve banks to bring to that meeting, if called, any legal questions now pending before them which they think should be submitted to the meeting, nevertheless, I was asked as Secretary of the Conference to submit to the Board a list of those questions pending before the Conference of Governors which it was thought should be considered by the Conference of Counsel. For your information I am glad to list below the topics referred to.

- (a) What effect will ruling of Supreme Court of Texas that trade acceptances are non-negotiable which bear the legend - "The obligation of the acceptor

hereof arises out of the purchase of goods from the drawer, maturity being in conformity with the original terms of purchase" -have upon the negotiability of bankers acceptances containing similar language, e. g., "This acceptance arises from the domestic storage of cotton and was secured at time of acceptance by documents securing and conveying title to --- bales and will remain so secured throughout the life of this acceptance."

- (b) In view of recent decision of Supreme Court of Kansas (Colorado and So. Railway Co. vs. Docking, Receiver of American State Bank, 124 Kansas, 48), in which it was held that directions contained in cash letters to remit by draft, changed the relationship between the forwarding bank and collecting bank from principal and agent to that of creditor and debtor: What change, if any, should be made in methods of procedure now followed to obtain immediately available remittances for cash letters?
- (c) The action of certain member banks in stamping on cashier's checks the phrase "not payable through Federal reserve banks."
- (d) The action of member banks in stamping on cashier's checks the phrase "Payable in New York Exchange."
- (e) The par clearance case of the State Bank of Hugo, Minn.
- (f) The individual reports by each Federal reserve bank outlining the procedure followed by each bank in handling cash and non-cash collections. These reports were prepared as a result of a request made at the Spring Conference of Governors to be submitted to Mr. Baker for his review and recommendations.
- (g) The right of a Federal reserve bank to charge to the reserve account of an insolvent member bank checks received by the Federal reserve bank for collection and transmitted to the member bank for payment prior to the insolvency. (See Board letter (X-4976) dated October 1927.

In the opinion of the Governors Conference all of these topics listed above should be submitted to the Conference of Counsel of the Federal

Copy

-3-

| 220
X-5055

reserve banks for their consideration if the Federal Reserve Board agrees with the governors that such a conference should be called.

Very truly yours,

GEORGE I. HARRISON,
Secretary, Governors Conference.

Honorable R. A. Young,
Governor, Federal Reserve Board,
Washington, D. C.