

C O P Y

IN THE DISTRICT COURT OF THE UNITED STATES
IN AND FOR THE EASTERN DISTRICT OF ILLINOIS.

MAY TERM, 1928.

J. F. JARVIS, ET AL.,

Complainants,

vs.

OTTO KEPP, ET AL.

IN EQUITY No. 93-D

COURT'S RULING UPON MOTION OF FEDERAL RESERVE
BANK OF CHICAGO TO DISMISS COMPLAINANTS' BILL.

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The motion of Federal Reserve Bank of Chicago, to dismiss the complainants' bill, as to it, is hereby sustained.

After a careful study of briefs of counsel and of the Act providing for the Federal Reserve System in its relation to the National Banking Laws as a whole, with particular attention to those sections of the law authorizing the Federal Reserve Banks to conduct examinations of member banks, I have come to the conclusion that those examinations were not intended by Congress as a direct protection to the depositors or other creditors of the member banks, nor are such examinations compulsory upon the Federal Reserve Banks except in so far as they may be found necessary in order to enable the Federal Reserve Banks to carry out the peculiar purposes of the Act providing for the Federal Reserve System. If this conclusion is correct, it inevitably follows that the failure of the Federal Reserve Bank of Chicago to conduct examinations of the Neoga National Bank, one of its member banks, did not and could not, of itself, or because of the

alleged results of such failure, create any liability on the part of the Federal Reserve Bank of Chicago, to the depositors in the Neoga National Bank.

I am further of the opinion that the only cause of action against the Federal Reserve Bank of Chicago, indicated by the complainants' bill, is upon the theory that the Federal Reserve Bank by some means secured an unlawful preference. Without attempting to pass^{upon}/or consider whether or not a cause of action by the depositors on that theory can be stated, it is enough to say that as now drawn the allegations of the bill are not sufficient to establish a cause of action on that ground.

I am further of the opinion that it would constitute an abuse of the court's discretion under Rule 26 of the Federal Equity Rules, to permit a joinder of the action against the Federal Reserve Bank of Chicago and the action against the directors of the Neoga National Bank, as stated in the bill. I can see no definite relation between a cause of action by depositors against the directors of the Neoga National Bank for failing to perform their general duties as directors and a specific cause of action against the Federal Reserve Bank for obtaining a preferential payment of a specific indebtedness, whether by collusion with the directors and officers of the Neoga National Bank or otherwise. To try these causes of action together, it seems to me, could only produce confusion, without aiding the Court or saving time and labor to the litigants.

Complainants' bill is ordered dismissed as to the defendant, the Federal Reserve Bank of Chicago.

FRED L. WHAM

Judge of the United States
District Court, Eastern Dis-
trict of Illinois.