

## FEDERAL RESERVE BANK OF CHICAGO

CHICAGO , March 13, 1929.

CHAS. L. POWELL, Counsel  
Continental and Commercial Bank Bldg.

Mr. Walter Wyatt  
General Counsel  
Federal Reserve Board  
Washington, D. C.

Dear Mr. Wyatt:-

I regret more than I can say that I have not been able to give attention to your letter of January 30th which, of course, came to my office during my absence on vacation. I returned to the office on the 20th of February but was almost immediately called to Washington and on my return I have been unable on account of threatened pneumonia to pay any attention to business.

The matter discussed by you and Mr. Ueland is of very great interest to all of the Federal Reserve Banks. Of course, since Mr. Ueland's original memorandum was written, the Early case has been decided by the Circuit Court of Appeals.

Frankly, I am not very much impressed with the argument of the court in that case, which resulted in a reversal in part, but I am not prepared to say that the reasoning is unsound; and I am inclined to agree with you that that case is distinguishable from cases arising in a district where checks are collected on the remittance basis.

I am strongly of the view that the owners of these transit items should be protected by the Federal Reserve Bank if such protection can be had without danger to the Federal Reserve Bank. In one noticeable case in this district I am taking the position that the Federal Reserve Bank is entitled to charge the dishonored remittance draft to the account of the insolvent bank. The comptroller is taking the contrary position and in a letter just received from the Receiver of that bank, the Receiver advises that he will insist on his view that he is entitled to have this money restored; but in effect he says that he will await the appeal to the Supreme Court in the Early case.

Perhaps you will recall that in one of our conferences at Washington, I called to your attention and the attention of the other counsel present a form of agreement for deposit of collateral in use in this bank in which I said I thought this matter was well cared for; this matter doubtless escaped your attention at that time and accordingly I am enclosing herewith a copy of one of our agreements

for deposit of collateral and I call your attention to the last two paragraphs thereof.

It occurs to me that the solution of this vexing question might be had by an agreement such as is here enclosed.

I am not protected by this agreement in the case above mentioned where a controversy is now being had with a Receiver of a failed bank and this for the reason that that particular bank had never signed this particular form of agreement, in fact it had never been called on to put up collateral with the Federal Reserve Bank of Chicago.

I look forward to the conference on April 1st with great interest, and I again want to express my regret that I was unable to give the above referred to matter the attention which it deserved.

Yours truly,

(S) Chas. L. Powell,  
Counsel.