FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6598

SUBJECT: Forthcoming Conference of Counsel.

Dear Sir:

On March 17, 1930, I addressed letters to Counsel for all Federal reserve banks enclosing a copy of the opinion of the Supreme Court of the United States in the case of Thomas A. Early, Receiver, v. Federal Reserve Bank of Richmond, expressing fears as to the consequences of that decision, and requesting each Counsel to advise me of his views on the advisability of holding a Conference of Counsel to consider this decision and the steps which should be taken in the light of it.

The replies received indicated a decided difference of opinion among Counsel as to the advisability of such a conference. Some expressed the opinion that a conference was highly advisable; some expressed the opinion that a conference was not needed and would not accomplish anything; but most of the Counsel expressed a willingness to participate if a conference were held.

This left me undecided as to whether a conference should be called, and I held the matter under advisement for some time. In the light of subsequent developments and after most careful consideration, however, I decided that it would be advisable to hold a conference and asked the Federal Reserve Board for authority to call one.

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On Friday, May 9, 1930, the Federal Reserve Board authorized me to call a conference and I immediately wired Counsel for all Federal reserve banks and inquired what dates between now and June 15th, would be most convenient to them.

There is attached for your information a copy of the memorandum (X-6590, May 2, 1930) which I addressed to the Federal Reserve Board on this subject and which explains the reasons for my belief that a conference of Counsel to consider this subject is advisable. It also indicates the topics which I think should be considered at such a conference.

You will remember that, upon consideration of the majority and minority reports submitted by the Conference of Counsel in April, 1929, the Conference of Governors adopted the following resolution by a vote of 9 to 3:

> "Resolved, that we approve in substance the majority report of the Conference of Counsel, with the understanding that, to assist Counsel of the Federal Reserve Board in framing the exact language of any amendments that may be found necessary to make the substance of the report effective, each Federal reserve bank shall be at liberty to call his attention to any local arrangement that might be affected by any such amendments."

Pursuant to the action of the Governors' Conference, the Board requested the Governor of each Federal reserve bank to advise it whether or not there were any local arrangements in his district which might be affected by the proposed amendments to Regulation J and which he might desire to have taken into consideration before those amendments were adopted by the Board. In my judgment, the

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replies received in answer to this letter did not disclose any reason why the proposed amendments should not be adopted and, therefore, I recommend that the Board adopt the proposed amendments to the regulation with slight changes in phraseology. A copy of my memorandum of August 17, 1929, containing these recommendations, is enclosed for your information.

The uniform policy recommended by the Conference of Counsel and the proposed amendments were approved by the Federal Reserve Board on October 15, 1929, the amendments to the regulations to become effective on January 1, 1930. Advice of this action was communicated to all Federal reserve banks under date of October 16, 1929 (X-6389).

In a letter addressed to Governor Young under date of October 19, 1929, (X-6409b) Governor Harding of the Federal Reserve Bank of Boston raised the question whether the uniform policy and the amendments to the regulation were intended to carry with them any implication that a Federal reserve bank may not "make special arrangements to insure the payment of checks in special cases." The Federal Reserve Board made this question a topic for consideration at the Governors' Conference held in December, 1929; and, under date of November 7, 1929 (X-6409), addressed a letter to the Governors of all Federal reserve banks on this subject enclosing a copy of Governor Harding's letter and also a copy of a letter on this subject which I addressed to counsel for all Federal reserve banks on the same date (X-6409a), requesting each counsel to advise the Governor of his Federal reserve bank of his views on this question. A number of the counsel were kind enough to send me copies of letters and memoranda expressing their views on this

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question; and I had these mimeographed and sent copies to counsel for all of the other Federal reserve banks.

Upon consideration of the question raised by Governor Harding, the Governors' Conference voted as follows:

> "VOTED That the conference is in agreement with the uniform policy approved by the Federal Reserve Board in its letter of October 16, 1929 (X-6389); that they are in favor of the amendment to Regulation J recommended by the majority of the Conference of Counsel; that they believe, however, it should be made clear in the regulation that any Federal reserve bank desiring to do so, may take collateral in order to protect itself only from liability as collecting agent."

On October 22, 1929, Mr. J. H. Blair, Deputy Governor of the Federal Reserve Bank of Chicago, addressed a letter to the Board inquiring whether the insertion of the words "of the drawee bank" after the word "property" in the amendment to paragraph 6 of Section V of Regulation J would not deprive the Federal reserve banks of any protection which that amendment might have given them, where the drawee bank is not the same as the collecting bank. On November 13, I wrote a memorandum to the Board in which I took the position that it was not advisable to amend the regulation further so as to try to cover this point. Under date of November 27, 1929, the Board addressed a letter to the Governors of all Federal reserve banks (X-6429) transmitting copies of Mr. Blair's letter and my memorandum and requesting the views of each Governor as to the desirability and advisability of the amendments suggested by Mr. Blair. The replies to this inquiry developed further differences of opinion.

As a result of the differences of opinion raised by Governor Harding's letter and Mr. Blair's letter, the Federal Reserve Board on December 17, 1929, voted to postpone indefinitely the effective date of the amendments to the regulations and so telegraphed all Federal

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reserve banks. The Board, however, took no further action with reference to the uniform policy, which had already gone into effect upon its adoption by the Governors' Conference and its approval by the Federal Reserve Board. The Federal Reserve Board has not since taken any further action on this subject; and the amendments to the regulations have never become effective.

In this connection, I invite your especial attention to the desirability of considering not only what amendments to Regulation J are necessary as a result of the decision in the Early case but also what other possible amendments should be adopted. In order that all of these amendments may be adopted at one time, thus avoiding frequent amendments to this important regulation.

In view of the difficulty of properly drafting proposed amendments to the regulation during a conference, I suggest that each counsel draft such amendments as he thinks should be adopted and forward them to me at once, in order that copies may be furnished to all Counsel for careful study in advance of the conference.

Shortly after our last Conference of Counsel, i.e. under dates of April 18 and May 6, 1929, respectively, Messrs. Agnew and Logan addressed letters to me suggesting certain changes in the proposed amendments to the regulations, which I did not feel at liberty to recommend to the Federal Reserve Board because they were materially different from the regulations recommended by the Conference of Counsel. Recently, I received further suggestions from Messrs. Agnew and Logan with reference to a proposed amendment which they had prepared and

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which they believed might be made the basis of a compromise on which practically all the counsel should be able to agree. Copies of all of these letters are enclosed for your information, and your most careful attention is invited to the suggestions contained therein.

Not being entirely satisfied with the proposed amendments to Regulation J recommended by the last conference of Counsel, and believing that certain further amendments to the regulation were desirable and that they should be adopted at the same time, in order to avoid frequent, piecemeal amendments to the Regulations, I prepared a complete tentative revision of Section V of Regulation J in July, 1929; and, under date of July 29, 1929, prepared a letter to Counsel for all Federal reserve banks discussing this entire subject. Upon further reflection, however, I decided that to send out such a letter would unduly delay the promulgation of the necessary amendments to Regulation J; and, therefore, I withheld the letter. Now that we are to have another conference, I am enclosing a copy of that letter and of my tentative revision of Section V of Regulation J. Since preparing the latter, I have discussed it with Mr. Strater and with counsel for a few of the Federal reserve banks during visits which they have made to Washington; and I am inclined to think that some of the amendments which I have suggested would be impractical and ought not to be adopted. However, I would like to have this proposed revision of Regulation J considered by the forthcoming conference; and I believe that some of the new provisions contained therein might very well be adopted.

For your further information in connection with the forthcoming conference, I enclose the following:

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(1) My proposed letter to Counsel to all Federal reserve banks dated July 29, 1929 (X-6597). (This letter was never sent.)

(2) Tentative revision of Section V of Regulation J prepared by me in July, 1929, but never sent out. (X-6594).

(3) Letters from Mr. Agnew, dated April 18, 1929, and April 25, 1929, and letters from Mr. Logan dated May 6, 1929, April 4, 1930, and April 9, 1930, containing further suggestions with reference to the proposed amendment to Regulation J. (X-6596).

(4) My memorandum addressed to the Federal Reserve Board under date of August 17, 1929, recommending the approval of the uniform policy and the adoption of the amendments to the Regulation. (X-6593).

(5) The Federal Reserve Board's letter to all Federal reserve banks dated October 16, 1929 (X-6389) advising of the approval of the uniform policy and the adoption of the amendments to the Regulation.

(6) The Board's letter of November 7, 1929, (X-6409) enclosing copies of Governor Harding's letter of October 19, 1929, and my letter of November 7, 1929, addressed to Counsel for all Federal reserve banks. Also the following replies to the Board's letter:

X-6428-Letter of November 11, 1929, from Mr. Parker to Gov. Black.

X-6428-a-Memo of November 15, 1929, containing views of Mr. Wallace.

X-6438-Letter of December 2, 1929, from Mr. McConkey with enclosure (X-6438-1)

X-6438-a-Judge Ueland's views - November 22, 1929.

X-6440-Views of Williams & Sinkler, Nov. 15, 1929.

X-6442-Letter of December 2, 1929, from Mr. Agnew, with enclosure (X-6442-a)

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X-6445-Mr. Logan's views (Memo of December 3, 1929 to Governor Harrison) with enclosure (X-6445-a)

X-6452-Mr. Leedy's views (Memo of December 7, 1929, to Deputy Governor Worthington)

(7) Board's letter of November 27, 1929 (X-6429) transmitting Mr. Blair's letter of October 22, 1929, and my memorandum of November 13, 1929; and the following replies (X-6592) to the Board's letter:

Governor Martin-December 7, 1929 (Encloses copy of letter of December 6, 1929 from Mr. McConkey).

Deputy Governor Paddock-December 7, 1929.

Governor Harrison - December 4, 1929.

Governor Talley - December 4, 1929.

Governor Calkins - December 3, 1929.

Governor Geery - December 3, 1929.

Deputy Governor Blair-November 30, 1929 (Encloses copy of letter written to Mr. Wyatt on November 30, 1929)

Governor Seay - November 29, 1929.

(8) The following letters and telegrams commenting upon the decision of the Supreme Court of the United States in the Early Case and the advisability of calling a conference of Counsel to consider this question (X-6595):

Mr. Wyatt - March 13, 1930

Mr. Parker - March 13, 1930

Mr. Parker - March 15, 1930

Mr. Wallace - March 15, 1930

Mr. Wallace - March 18, 1930

Mr. McConkey - March 18, 1930

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Mr. Stroud	-	March 19, 1930
Mr. Stroud	-	April 9, 1930 (Contains two enclosures, one dated March 29, 1930, and one dated April 9, 1930)
Mr. Stroud	-	April 25, 1930
Mr. Wyatt	-	April 29, 1930 (Telegram)
Mr. Stroud	-	April 29, 1930 (Telegram)

(9) A copy of my memorandum of May 2, 1930, (X-6590) to the Federal Reserve Board recommending that the Federal Reserve Board authorize me to call a conference of Counsel to consider this subject, and outlining the questions to be considered at the conference.

If there are any additional topics which you would like to have considered at the forthcoming conference, please advise me by telegram at once, in order that such topics may be put on the program and in order that all Counsel may have an opportunity to study them in advance of the conference.

I sincerely hope that we can agree upon a date for the conference which will be entirely convenient to all Counsel and that each Counsel will be able to arrange his affairs so as to stay in Washington long enough to give careful and unhurried consideration to the important questions before the Conference. I believe that three days should be the minimum, and four or five days the maximum, time that should be allowed for actual attendance at the conference.

This office will be glad to do anything in its power to contribute to the success of the conference and to the comfort and convenience of those attending it. I sincerely hope that each Counsel will not hesitate to make any suggestion which may occur to him and to request

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anything of this office which may be of assistance to him in this connection.

Looking forward with much pleasure to seeing you at the conference, and with all best wishes, I am,

Cordially yours,

Walter Wyatt
General Counsel.

Enclosures.

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