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FEDERAL RESERVE BOARD ANNOUNCEMENT
WEEK ENDED JANUARY 3, 1930.

CHANGES IN STATE BANK MEMBERSHIP:

District		Capital	Surplus	Total resources	Date
	Admitted to Membership:				
8	United Bank & Trust Co., St. Louis, Mo.	$1,000,000	$500,000	$10,207,038	1- 2-30
	Voluntary Withdrawals:				
2	City Bank Farmers Trust Co., New York, N. Y.				1- 2-30
7	Mondamin Savings Bank, Mondamin, Iowa				12-31-29
	Absorbed by National Bank:				
6	Atlanta Trust Co., Atlanta, Ga., has been absorbed by the Citizens & Southern National Bank, Savannah, Ga.				12- 3-29
	Consolidation of State Members:				
6	Peoples Bank, Greenville, Ga., member, has consolidated with and under the title of the Greenville Banking Co., Greenville, Ga., a member.				12-23-29
	Closed:				
6	Farmers & Merchants Bank, McDonough, Ga.				1- 2-30
	Succeeded by State Member:				
8	The United States Bank, St. Louis, Mo., member, has been succeeded by the United Bank & Trust Co., a member.				1- 2-30
	PERMISSION GRANTED TO EXERCISE TRUST POWERS:				
3	First National Bank, Scranton, Pa. (Confirmatory)				12-31-29
4	First National Bank, Beaver Falls, Pa.				12-31-29
6	First National Bank & Trust Co., Vicksburg, Miss. (Confirmatory)				1- 2-30
7	First National Bank, New Carlisle, Ind. (Supplemental)				12-31-29

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FEDERAL RESERVE BOARD ANNOUNCEMENT
WEEK ENDED JANUARY 10, 1930.

CHANGES IN STATE BANK MEMBERSHIP:

District		Date
	Admitted to Membership:	
	None.	
	Change of Title:	
2	The Bank of Westbury, Westbury, N. Y. has changed its title to Bank of Westbury Trust Co.	1- 2-30
	Absorption of National Bank:	
3	The Security Trust Co., Wilmington, Del., a member, has absorbed the National Bank of Delaware at Wilmington, Del.	1- 4-30
	Absorbed by National Bank:	
5	The Merchants & Producers Bank, Salem, W. Va., member, has been absorbed by the First National Bank of Salem, W. Va.	1- 4-30
	Voluntary Withdrawals:	
7	Commercial Trust & Savings Bank, Joliet, Ill.	1- 6-30
7	Lake View State Bank, Lake View, Iowa.	1- 8-30
7	Farmers & Drovers State Bank, Lakota, Iowa.	1- 6-30

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

1	First National Bank, Boston, Mass. (Confirmatory)	1- 8-30
6	First National Bank, Lewisburg, Tenn.	1- 7-30
8	National Stock Yards Nat. Bank, National Stock Yards, Ill.	1- 7-30
11	Marfa National Bank, Marfa, Texas.	1- 7-30

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FEDERAL RESERVE BOARD ANNOUNCEMENT
WEEK ENDED JANUARY 17, 1930.

CHANGES IN STATE BANK MEMBERSHIP:

Admitted to Membership:

Dist.		Date
	None.	

Closed:

7	Independence State Bank, Chicago, Ill.	1-15-30
11	First State Bank, Wolfe City, Texas.	1-15-30

Absorption of National Bank:

11	The Farmers State Bank, Clifton, Texas, a member, has absorbed the First National Bank in Clifton, Texas.	1- 6-30

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

None.

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FEDERAL RESERVE BOARD ANNOUNCEMENT
WEEK ENDED JANUARY 24, 1930

CHANGES IN STATE BANK MEMBERSHIP:

Admitted to Membership:

District		Capital	Surplus	Total resources	Date
2	The Harbor State Bank, New York, N.Y.	$200,000	$300,000	$1,819,219	1-20

Merger:

2	The State Bank of Richmond County, Port Richmond, New York, N.Y. and the Guardian National Bank of New York, N. Y. have merged into the Brooklyn Trust Co., Brooklyn, N. Y., a member.	1-20

Merged with Nonmember:

3	The Northeastern Trust Co., Reading, Pa., a member, has consolidated with the Colonial Trust Co., Reading, Pa., nonmember.	12-31-29

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

7	National Bank of Waupun, Waupun, Wis.	1-23-30
11	First National Bank, Beaumont, Texas (Supplemental)	1-23-30

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FEDERAL RESERVE BOARD ANNOUNCEMENT
WEEK ENDED JANUARY 31, 1930

CHANGES IN STATE BANK MEMBERSHIP:

District		Date
	Admitted to Membership:	
	None.	
	Change of Title:	
2	The International Germanic Trust Co., New York, N. Y., has changed its title to International Trust Company.	1-20-30
	Succeeded by Nonmember:	
7	The Peoples State Bank, Shannon, Ill., and the State Bank of Shannon, Ill., both members, have consolidated and have been succeeded by the First State Bank, Shannon, Ill., a nonmember.	1-15-30
	Closed:	
7	Whiteside County State Bank, Fulton, Ill.	1-31-30
	Merged with Nonmember:	
12	The Bank of Commerce, Everett, Wash., a member, has consolidated with and under the charter and title of the Everett Trust & Savings Bank, Everett, Wash., a nonmember.	1-27-30

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

2	First National Bank,	Allendale, N. J.	1-27-30
2	First National Exchange Bank	Clayton, N. Y. (Supplemental)	1-25-30
10	First National Bank and Trust Co.	Oklahoma City, Okla. (Confirmatory)	1-27-30

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FEDERAL RESERVE BOARD ANNOUNCEMENT
WEEK ENDED FEBRUARY 7, 1930

CHANGES IN STATE BANK MEMBERSHIP:

Admitted to Membership:

District		Capital	Surplus	Total resources	Date
3	North City Trust Co., Philadelphia, Pa.	$500,000	$290,000	$1,770,660	2- 3-30

Voluntary Withdrawal:

10	Jamestown State Bank, Jamestown, Kansas.	2- 7-30

Change of Title:

12	The Valley Bank of Phoenix, Ariz., has changed its title to Valley Bank and Trust Company.	1-23-30

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

1	Canaan National Bank, Canaan, Conn.	2- 4-30
1	Fort Fairfield National Bank, Fort Fairfield, Maine	2- 4-30
1	Worcester County National Bank, Worcester, Mass. (Confirmatory)	2- 4-30
1	Lancaster National Bank, Lancaster, N. H.	2- 7-30
7	First National Bank, Aurora, Ill. (Confirmatory)	2- 7-30
7	Clay County National Bank, Spencer, Iowa	2- 7-30
9	Freeborn County National Bank & Trust Co., Albert Lea, Minn.	1-31-30
9	First National Bank, Aberdeen, S. Dak.	2- 7-30
11	First National Bank in Dallas, Dallas, Texas (Confirmatory)	2- 4-30

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FEDERAL RESERVE BOARD ANNOUNCEMENT
WEEK ENDED FEBRUARY 14, 1930.

CHANGES IN STATE BANK MEMBERSHIP:

Dist.		Date
	Admitted to Membership:	
	None.	
	Absorbed by Nonmember:	
3	The Dollar State Bank & Trust Co., Scranton, Pa., a member, has been absorbed by the South Side Bank & Trust Co., nonmember.	11-18-29
	Succeeded by Nonmember:	
11	The Citizens State Bank, Maypearl, Texas, a member, has been succeeded by the First State Bank, Maypearl, Texas, a nonmember.	1-27-30

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

3	National Bank of Coatesville, Coatesville, Pa.	2-14-30
3	Gap National Bank, Gap, Pa.	2-14-30
4	First National Bank, Circleville, Ohio.	2-14-30
7	Merchants National Bank, Indianapolis, Ind.	2-12-30
7	Union National Bank, Streator, Ill.	2-12-30
11	Republic Nat. Bank & Trust Co., Dallas, Tex.(Confirmatory)	2-14-30

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FEDERAL RESERVE BOARD ANNOUNCEMENT
WEEK ENDED FEBRUARY 21, 1930.

CHANGES IN STATE BANK MEMBERSHIP:

Dist.		Date
	Admitted to Membership:	
	None.	
	Consolidated with National Bank:	
2	Murray Hill Trust Co., New York, N. Y. Consolidated with Bank of America, N. A., New York, N. Y.	2-15-30
	Change of Title:	
4	Geneva Savings Bank Co., Geneva, Ohio. Title changed to Geneva Savings and Trust Co.	
	Reopened:	
7	Lilley State Bank, Tecumseh, Mich.	2-17-30
	Converted to National Bank:	
9	Bank of Philip, Philip, S. Dak. Converted to First National Bank of Philip, S. Dak.	2-20-30

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

2	Fort Greene National Bank in New York, N. Y.	2-18-30
3	Hatfield National Bank & Trust Co., Hatfield, Pa.	2-18-30
6	American National Bank & Trust Co., Mobile, Ala.	1- 4-30
10	First National Bank in Dodge City, Kans.	2-20-30

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FEDERAL RESERVE BOARD ANNOUNCEMENT
WEEK ENDED FEBRUARY 28, 1930

CHANGES IN STATE BANK MEMBERSHIP:

District		Date
	Admitted to Membership:	
	None.	
	Closed:	
6	Orrville Bank & Trust Co., Orrville, Ala.	2-28-30
	Succeeded by Nonmember:	
12	The Farmers & Merchants Bank, Odessa, Wash., a member, has been succeeded by the Security State Bank, nonmember.	2-24-30

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

1	Everett National Bank, Everett, Mass.	2-25-30
2	National City Bank, Troy, N. Y. (Confirmatory)	2-25-30
7	Citizens National Bank, Belle Plaine, Iowa.	2-25-30
11	Public National Bank & Trust Co., Houston, Texas (Confirmatory)	2-24-30

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FEDERAL RESERVE BOARD ANNOUNCEMENT
WEEK ENDED MARCH 7, 1930.

CHANGES IN STATE BANK MEMBERSHIP:

Admitted to Membership:

District		Capital	Surplus	Total resources	Date
4	Fayette Title & Trust Co., Uniontown, Pa.	$150,000	$550,000	$ 6,245,646	3- 7-30
8	American Exchange Trust Co., Little Rock, Ark.	1,000,000	500,000	20,889,586	3- 3-30

Voluntary Withdrawal:

3	Port Carbon State Bank, Port Carbon, Pa.	3- 5-30

Consolidated with National Bank:

4	The Security Bank, Portsmouth, Ohio, a member, has consolidated with the Central National Bank of Portsmouth, Ohio, under the title of Security Central National Bank of Portsmouth.	2- 5-30

Change of Title:

8	The Mississippi Valley Merchants State Trust Co., St. Louis, Mo., has changed its title to Mississippi Valley Trust Co.	3- 1-30

Consolidation of State Members:

12	The Security State Bank, La Crosse, Wash., a member, has consolidated with and under the title of the First State Bank, La crosse, Wash., a member.	3- 1-30

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

1	Torrington National Bank & Trust Co., Torrington, Conn. (Supplemental)	3- 4-30
3	Berwyn National Bank, Berwyn, Pa.	3- 4-30
4	First National Bank, Donora, Pa.	3- 4-30
5	First National Bank, Lenoir, N. Car.	3- 4-30

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FEDERAL RESERVE BOARD ANNOUNCEMENT
WEEK ENDED MARCH 14, 1930.

CHANGES IN STATE BANK MEMBERSHIP:

Admitted to Membership:

District		Capital	Surplus	Total resources	Date
4	Union Bank & Savings Co., Bellevue, Ohio	$150,000	$100,000	$2,395,950	3-12-30
4	Union Trust Co., Dayton, Ohio	1,500,000	1,500,000	39,370,364	3-10-30

Change of Title:

2	The State Bank of Endicott, Endicott, N. Y., has changed its title to Endicott Trust Company.	3- 1-30

Consolidation:

4	The Wright Banking Co., Bellevue, O., member, has consolidated with Bellevue Savings Bank Co., nonmember, under a new charter and title of Union Bank & Savings Co., a member.	2-21-30

Closed:

6	Exchange Bank, Cordele, Ga.	3- 7-30

Withdrawals:

7	Iowa State Bank, Osceola, Iowa	3-12-30
11	First State Bank, Bomarton, Texas	3-12-30

Absorption of National Bank:

11	The Citizens State Bank, Greenville, Texas, a member, has absorbed the First National Bank, Merit, Texas.	3-12-30

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

5	Washington County National Bank, Williamsport, Md.	3-10-30
6	Macon National Bank, Macon, Ga.	3-10-30
10	Traders Gate City National Bank, Kansas City, Mo.(Confirmatory)	3-10-30
12	First National Bank, Mount Vernon, Wash. (Supplemental)	3-13-30

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FEDERAL RESERVE BOARD ANNOUNCEMENT
WEEK ENDED MARCH 21, 1930.

CHANGES IN STATE BANK MEMBERSHIP:

District		Date
	Admitted to Membership:	
	None.	
	Consolidated with National Bank:	
1	The American Trust Co., Boston, Mass., a member, has consolidated with and under the title of the First National Bank of Boston.	3-15-30

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

1	Peoples National Bank, Farmington, Maine.	3-17-30
2	First National Bank, Cranford, N. J.	3-17-30
2	First National Bank, Farmingdale, N. Y.	3-17-30
2	LaFayette National Bank, Brooklyn, N. Y. (Confirmatory)	3-17-30
7	Commercial Merchants National Bank & Trust Co., Peoria, Ill. (Confirmatory)	3-19-30
7	American National Bank, Grand Rapids, Mich.	3-17-30
7	First National Bank, Hillsdale, Mich. (Supplemental)	3-19-30

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FEDERAL RESERVE BOARD ANNOUNCEMENT
WEEK ENDED MARCH 28, 1930

CHANGES IN STATE BANK MEMBERSHIP:

District		Date
	Admitted to Membership:	
	None.	
	Absorbed by Nonmember:	
6	The Algiers Trust & Savings Bank, New Orleans, La., a member, has been absorbed by the Whitney Trust & Savings Bank, New Orleans, La., a nonmember.	
	Merger and Change of Title:	
7	The Kalamazoo National Bank, Kalamazoo, Mich., has merged with the Kalamazoo Trust & Savings Bank, Kalamazoo, Mich., a member, under the title of Bank of Kalamazoo.	3-28-30
	Succeeded by Nonmember:	
11	The First State Bank, Palmer, Texas, a member, has been succeeded by the Commercial State Bank, Palmer, Texas, a nonmember.	3-24-30

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

1	First National Bank, Winchendon, Mass.	(Full powers)	3-25-30
1	National State Capital Bank, Concord, N. H.	(Supplemental)	3-26-30
2	Hardyston National Bank, Hamburg, N. J.	(Limited)	3-25-30
2	National Exchange Bank & Trust Co., New York, N. Y.	(Full powers)	3-24-30
5	First National Bank, Wilson, N. C.	(Full powers)	3-25-30
10	First National Bank, Wayne, Nebr.	(Full powers)	3-26-30
12	Union National Bank, Ventura, Calif.	(Limited)	3-26-30

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FEDERAL RESERVE BOARD ANNOUNCEMENT
WEEK ENDED APRIL 4, 1930

CHANGES IN STATE BANK MEMBERSHIP:

Admitted to Membership:

District		Capital	Surplus	Date
3	Integrity Trust Co., Philadelphia, Pa. (A consolidation of the Integrity Trust Co., member, and the Market Street Title & Trust Co., nonmember).	$2,987,920	$14,000,000	4- 3-30

Succeeded by Nonmember:

12	Plumas County Bank, Quincy, Calif. (Succeeded by Plumas County Bank, nonmember).	3-31-30

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

2	Mattituck National Bank & Trust Co., Mattituck, N. Y. (Full powers)	4- 2-30
6	Moultrie National Bank, Moultrie, Ga. (Full powers)	4- 4-30
7	Citizens National Bank, Kendallville, Ind. (Full powers)	4- 4-30
12	Yakima First National Bank, Yakima, Wash. (Full powers) (Confirmatory)	4- 4-30

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FEDERAL RESERVE BOARD ANNOUNCEMENT
WEEK ENDED APRIL 11, 1930.

CHANGES IN STATE BANK MEMBERSHIP:

District		Date
	Admitted to Membership:	
	None.	
	Absorbed by Nonmember:	
5	The Commercial & Savings Bank, Florence, S. C., member, has been absorbed by the Peoples State Bank of South Carolina, Charleston, S. C., nonmember.	4- 7-30
	Change of Title:	
11	The Fidelity Bank of Commerce, Spearman, Texas, has changed its title to First State Bank, Spearman, Texas.	1-14-30

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

7	American National Bank, Grand Rapids, Mich.(Additional powers)	4- 8-30

FEDERAL RESERVE BOARD ANNOUNCEMENT
WEEK ENDED APRIL 18, 1930

CHANGES IN STATE BANK MEMBERSHIP:

Admitted To Membership:

District		Capital	Surplus	Date
8	Franklin-American Trust Co., St. Louis, Mo.	$2,600,000	$1,400,000	4-14-30

Change of Title:

2	The Carteret Trust Co., Carteret, N. J., has changed its title to Carteret Bank & Trust Co.	3-22-30

Consolidation of State Members:

3	The Colonial Trust Co., Philadelphia, Pa., a member, has consolidated with and under the title of the Pennsylvania Company for Insurance on Lives and Granting Annuities, Philadelphia, Pa., a member.	3-29-30

Absorption of Nonmember:

4	The Lawrence Savings & Trust Co., New Castle, Pa., a member, has absorbed the Home Trust Co., New Castle, Pa., a nonmember.	3- 1-30

Closed:

6	Bank of Candler County, Metter, Ga.	4-17-30

Succeeded by State Member:

8	The Franklin-American Trust Co., St. Louis, Mo., a member, and the Phoenix Trust Co., St. Louis, Mo., a nonmember, consolidated under a new charter and title of Franklin-American Trust Co., St. Louis, Mo., which became a member.	4-14-30

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

2	Irvington National Bank, Irvington, N. Y.	(Full powers)	4-16-30
3	Peoples National Bank, Lakewood, N. J.	(Full powers)	4-15-30
3	Pine Grove National Bank, Pine Grove, Pa.	(Full powers)	4-15-30
7	First National Bank, Aurora, Ill.	(Full powers)	4-15-30
9	Union Nat. Bank & Trust Co. in Minot, N. Dak.	(Full powers)	4-15-30
11	Citizens National Bank, Abilene, Texas.	(Supplemental)	4-15-30

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FEDERAL RESERVE BOARD ANNOUNCEMENT
WEEK ENDED APRIL 25, 1930.

CHANGES IN STATE BANK MEMBERSHIP:

Admitted to Membership:

District		Capital	Surplus	Total resources	Date
6	Columbus Bank & Trust Co., Columbus, Ga.	$250,000	$250,000	$4,076,822	4-22-30

Absorption of Nonmember:

2	The Peoples Bank & Trust Co., Passaic, N. J., a member, has absorbed the Hobart Trust Co., Passaic, N. J., nonmember.	4-19-30
4	The Peoples-Pittsburgh Trust Co., Pittsburgh, Pa., a member, has absorbed the East End Savings & Trust Co., Pittsburgh, Pa., a nonmember.	3-29-30

Merged with Nonmember:

7	The United State Bank, Chicago, Ill., member, has merged with the Chicago City Bank & Trust Co., nonmember.	2-19-30

Succeeded by Nonmember:

7	The Madison & Kedzie State Bank, Chicago, Ill., member, has been succeeded by Madison & Kedzie Trust Co., nonmember.	2-28-30

Closed:

8	American Bank & Trust Co., Paris, Ark.	4-21-30

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

1	Dartmouth National Bank, Hanover, N. H. (Supplemental)	4-23-30
2	First National Bank, Poughkeepsie, N. Y.(Full powers)	4-23-30
4	Butler County National Bank, Butler, Pa.(Full powers)	4-23-30

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FEDERAL RESERVE BOARD ANNOUNCEMENT
WEEK ENDED MAY 2, 1930.

CHANGES IN STATE BANK MEMBERSHIP:

Admitted to Membership:

District		Capital	Surplus	Total resources	Date
8	Bremen Bank & Trust Co., St. Louis, Missouri	$400,000	$500,000	$7,548,642	5- 1-30

Absorbed by National Bank:

5	The Bank of Victoria, Inc., Victoria, Va., has been absorbed by the First National Bank of Victoria, Va.	4-24-30

Voluntary Withdrawal:

7	Marshall State Bank, Marshall, Ill.	4-28-30

Succeeded by State Member:

8	The Bremen Bank, St. Louis, Mo., member, has been succeeded by the Bremen Bank & Trust Co., St. Louis, Mo., a member.	5- 1-30

Succeeded by National Bank:

12	The Farmers State Bank, Reardan, Wash., member, has been succeeded by the First National Bank of Reardan, Wash.	4- 1-30

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

1	Newton National Bank, Newton, Mass.	(Full powers)	4-30-30
4	National Deposit Bank, Arnold, Pa.	(Full powers)	5- 2-30
7	National Bank of Commerce, Adrian, Mich.	(Limited powers)	4-30-30
7	National Bank of Commerce, Milwaukee, Wis.	(Confirmatory)	4-30-30
8	First Mercer National Bank, Harrodsburg, Ky.	(Confirmatory)	5- 2-30
8	National Deppsit Bank, Owensboro, Ky.	(Full powers)	5- 2-30
8	First National Bank, Monett, Mo.	(Full powers)	5- 2-30
8	Sedalia National Bank, Sedalia, Mo.	(Full powers)	5- 2-30

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FEDERAL RESERVE BOARD ANNOUNCEMENT
WEEK ENDED MAY 9, 1930.

CHANGES IN STATE BANK MEMBERSHIP:

Admitted to Membership:

Dist.		Capital	Surplus	Total resources	Date
6	Peoples Bank of Evergreen, Evergreen, Ala.	$100,000	$150,000	$873,023	5- 8-30
12	Security State Bank, Odessa, Wash.	50,000	10,000	1,207,952	5- 9-30

Absorption of Nonmember:

2	The Power City Bank, Niagara Falls, N. Y., a member, has absorbed the Bank of La Salle, Niagara Falls, N. Y., nonmember.	4-30-30

AUTHORIZED TO ACCEPT DRAFTS AND BILLS OF EXCHANGE UP TO 100 PER CENT OF CAPITAL AND SURPLUS:

2	Public National Bank & Trust Co., New York, N. Y.	5- 6-30

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

10	First National Bank, Miami, Okla. (Confirmatory)	5- 9-30

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FEDERAL RESERVE BOARD ANNOUNCEMENT
WEEK ENDED MAY 16, 1930.

CHANGES IN STATE BANK MEMBERSHIP:

Admitted to Membership:

District		Capital	Surplus	Total resources	Date
2	Park Row Trust Co., New York, N.Y.	$500,000	$250,000	$782,451	5-13-30

Voluntary Withdrawal:

6	Monroe County Bank, Forsyth, Ga.	5-12-30

Change of Title:

7	The Royal Oak Savings Bank, Royal Oak, Mich., has changed its title to Royal Oak State Trust & Savings Bank.	5-12-30

Succeeded by Nonmember:

9	The Commercial State Bank, Gregory, S. Dak., member, has been succeeded by the Northwestern Bank of Gregory, nonmember.	5- 5-30

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

2	Citizens National Bank, Springville, N. Y.	5-14-30
3	Farmers National Bank & Trust Co., New Holland, Pa.	5-10-30

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FEDERAL RESERVE BOARD ANNOUNCEMENT
WEEK ENDED MAY 23, 1930.

CHANGES IN STATE BANK MEMBERSHIP:

Admitted to Membership:

District		Capital	Surplus	Total resources	Date
8	West End Bank, University City, Mo.	$ 100,000	$ 26,000	$1,124,529	5-23-30

Merger

2	The North Ward Trust Co., and the Equitable Trust Co., (non-members) both of Newark, New Jersey, have been merged into the Fidelity Union Trust Co., (member), also of Newark, N.J.	5-20-30

Voluntary Withdrawals:

2	Bank of the Manhattan Co., New York, N. Y.	5-22-30
5	Savings Bank & Trust Co., Richmond, Va.	5-20-30
6	Roanoke Banking Co., Roanoke, Ala.	5-19-30
6	Pittard Banking Co., Winterville, Ga.	5-22-30
8	American Southern Trust Co., Little Rock, Ark.	5-22-30
9	Ihlen State Bank, Ihlen, Minn.	5-20-30

Absorbed by National Bank:

6	The Farmers & Merchants Bank of Hartselle, Alabama, has been absorbed by the First National Bank of Hartselle.	

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

2	First National Bank of Sayreville, Sayreville, N. J.	5-22-30
3	First National Bank of Philadelphia, Pa.	5-19-30
4	First National Bank of Ludlow, Ky.	5-19-30
8	First National Bank & Trust Company in Alton, Ill.	5-6-30

FEDERAL RESERVE BOARD ANNOUNCEMENT
WEEK ENDED MAY 29, 1930.

CHANGES IN STATE BANK MEMBERSHIP.

Admitted to Membership:

District		Capital	Surplus	Total resources	Date
2	The Crentral Bank of the City of New York, N. Y.	$2,500,000	625,000	14,940,744	5-24-30
8	Tower Grove Bank & Trust Co., St. Louis, Mo.	500,000	300,000	11,995,035	5-26-30

Voluntary Withdrawal:

7	Iowa State Savings Bank, Cedar Rapids, Iowa.	5-27-30

Succeeded by Nonmember:

8	The Natural Bridge Bank & Trust Co., St. Louis, Mo. (member), has been succeeded by the Natural Bridge Trust Co.(nonmember).	5-26-30

Succeeded by State Member:

8	The Tower Grove Bank, St. Louis, Mo., (member) has been succeeded by the Tower Grove Bank & Trust Co., (member).	5-26-30

Absorbed by Nonmember:

5	The Farmers Banking & Trust Co., Tarboro, N. C., (member) has been absorbed by the North Carolina Bank & Trust Co., Greensboro, N. C., (nonmember).	5-24-30

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

5	The Montgomery National Bank, Montgomery Ala. (Full powers)	5-29-30
7	First National Bank, Menasha, Wis. (Limited powers)	5-29-30
7	Union & Peoples National Bank, Jackson, Mich (Confirmatory)	5-26-30
9	First National Bank, Miles City, Montana. (Full powers)	5-29-30
10	First National Bank, Stillwater, Okla. (Full powers)	5-29-30
11	Citizens National Bank, Abilene, Texas. (Supplementary)	5-26-30

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FEDERAL RESERVE BOARD ANNOUNCEMENT
WEEK ENDED JUNE 6, 1930.

CHANGES IN STATE BANK MEMBERSHIP.

Admitted to Membership:

District		Capital	Surplus	Total resources	Date
7	Monroe County Bank, Dundee, Mich.	$25,000	$25,000	$728,767	6-4-30

Voluntary Withdrawals:

7	Redford State Savings Bank, Detroit, Mich.	5-31-30
7	Iowa Loan & Trust Co., Fairfield, Iowa.	6-2-30
11	Cochise County State Bank, Tombstone, Ariz.	6-4-30

Consolidated with National Bank:

2	The Interstate Trust Company and the Equitable Trust Company, both members, of New York, N. Y., have consolidated with and under the title of the Chase National Bank of the City of New York.	5-31-30

Absorption of National Bank:

2	The Globe Bank & Trust Company of Brooklyn, N. Y., a member has absorbed The Rugby National Bank of Brooklyn.	5-31-30
2	The Citizens Trust Company of Utica, N. Y., a member, has absorbed the Utica National Bank & Trust Company of Utica.	5-31-30

Absorption of Nonmember:

10	The Citizens Bank of Aztec, N. Mexico, a member, has absorbed the Aztec State Bank of Aztec, a nonmember.	6-2-30

Change of Title:

2	The Power City Bank, Niagara Falls, N. Y. (member), has changed its title to Power City Trust Co.	5-23-30

Reopened:

9	Swift County Bank, Inc., Benson, Minn.	5-26-30

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

1	The Mechanics National Bank of Worcester, Mass. (Supplementary)	6-6-30
3	The Farmers & Merchants National Bank, Red Lion, Pa. (Full powers)	6-6-30
5	The First National Bank, Logna, West Virginia. (Full powers)	6-6-30
9	The Lumbermen's National Bank, Menominee, Mich. (Limited powers)	6-6-30

X-1530

FEDERAL RESERVE BOARD ANNOUNCEMENT
WEEK ENDED JUNE 13, 1930.

CHANGES IN STATE BANK MEMBERSHIP:

District		Date
	Admitted to Membership:	
	None.	
	Converted into National Bank:	
6	The Liberty Bank & Trust Co., Savannah, Ga., a member, has converted into The Liberty National Bank & Trust Company of Savannah, Ga.	6- 7-30

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

6	Liberty National Bank & Trust Co., Savannah, Ga. (Full powers)	6- 7-30

X-1530

FEDERAL RESERVE BOARD ANNOUNCEMENT
WEEK ENDED JUNE 20, 1930.

CHANGES IN STATE BANK MEMBERSHIP:

Admitted to Membership:

District		Capital	Surplus	Total resources	Date
12	Commercial Security Bank, Ogden, Utah	$200,000	$100,000	$2,861,099	6-16-30

Merged with State Member:

2	The Central Bank of the City of New York, N. Y., a member, has merged with the Bank of the Manhattan Trust Co., member.	6-13-20

Voluntary Withdrawal:

4	Peninsula Banking Co., Peninsula, Ohio.	6-16-30
7	First State Bank, Royal Oak, Mich.	6-19-30
7	Iowa County Bank, Mineral Point, Wis.	6-16-30

Absorption of National Bank:

6	The Peoples Bank of Evergreen, Ala., member, has absorbed the First National Bank of Evergreen, Ala.	6-10-30
6	The Columbus Bank & Trust Co., Columbus, Ga., member, has absorbed the First National Bank of Columbus, Ga.	5-31-30
9	The Ravalli County Bank, Hamilton, Mont., member, and the Citizens State Bank, Hamilton, Mont., nonmember, have absorbed the First National Bank of Hamilton, Mont.	5-31-30

Merged with Nonmember:

6	The Bank of Graymont, Graymont, Ga., member, has merged with the Peoples Bank, Summit, Ga., nonmember, under title of Bank of Twin City, Ga., nonmember.	6-11-30

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

1	Winchester National Bank, Winchester, Mass.	(Full powers)	6-16-30
5	National Exchange Bank, Beckley, W. Va.	(Full powers)	6-19-30
10	Home National Bank, Arkansas City, Kans.	(Full powers)	6-16-30

X-1530

FEDERAL RESERVE BOARD ANNOUNCEMENT
WEEK ENDED JUNE 27, 1930.

CHANGES IN STATE BANK MEMBERSHIP:

District		Date
	Admitted to Membership:	
	None.	
	Absorption of National Bank:	
2	The Federal Trust Co., Newark, N. J., a member, has absorbed the Hayes Circle National Bank & Trust Co., Newark.	6-10-30
6	The Columbus Bank & Trust Co., Columbus, Ga., member, has absorbed the Third National Bank of Columbus, Ga. (Announcement dated June 20 of absorption of First National Bank, in error).	5-31-30

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

7	Grundy County National Bank, Morris, Ill.	(Full powers)	6-23-30
7	First National Bank, Greenwood, Ind.	(Full powers)	6-25-30
7	Second National Bank, Beloit, Wis.	(Full powers)	6-25-30
7	First National Bank, Ripon, Wis.	(Confirmatory)	6-23-30

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BANKS REPORTED CLOSED
WEEK ENDED JANUARY 3, 1930.

Member banks indicated by an asterisk (*).

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 5.						
*Carolina Nat. Bank	Spartanburg	S. C.	Dec. 30	200,000	43,000	1,004,000
Dollar Savings Bank	"	" "	" 30	100,000	1,000	492,000
Peoples Bank	Kershaw	" "	Jan. 3	50,000	9,000	130,000
District No. 6.						
*Farmers & Merchants Bank	McDonough	Ga.	Jan. 2	50,000	50,000	100,000
Bank of Locust Grove	Locust Grove	Ga.	Dec. 31	25,000	7,000	102,000
District No. 8.						
Farmers Bank	Conway	Mo.	Jan. 2	10,000	2,000	86,000
Bank of Elaine	Elaine	Ark.	" 3	15,000	1,000	81,000
Hickman Bank & Trust Co.	Hickman	Ky.	Dec. 31	50,000	35,000	550,000
Bank of Charleston	Charleston	Mo.	Jan. 3	100,000	50,000	797,000
District No. 9.						
Farmers State Bank	Colgan	N. Dak.	Jan. 2	10,000	4,000	63,000
District No. 10.						
First State Bank	Alliance	Nebr.	Dec. 30	35,000	35,000	1,028,000
*First Nat. Bank	Greeley	"	" 30	25,000	29,000	420,000
Exchange Bank	Gibbon	"	" 31	30,000	13,000	465,000
Bank of Picher	Picher	Okla.	Jan. 2	50,000	10,000	491,000
Exchange State Bank	Moyetta	Kans.	" 3	10,000	6,000	47,000

Closed Banks Reopened:

None.

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BANKS REPORTED CLOSED
WEEK ENDED JANUARY 10, 1930.

Member banks indicated by an asterisk (*).

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 2.						
Muller & Son, Private Bankers	Truxton	N. Y.	Jan. 6	(no figures available)		
District No. 3.						
Susquehanna Title & Trust Co.	Philadelphia,	Pa.	Jan. 7	15,000	15,000	783,000
District No. 6.						
*First National Bank	Samson	Ala.	Jan. 3	100,000	25,000	160,000
District No. 8.						
*First National Bank in Mt. Sterling	Mt.Sterling	Ill.	Jan. 7	50,000	27,000	690,000
State Bank of	Donnellson	Ill.	" 6	30,000	3,000	113,000
First State Bank	Scottville	Ill.	" 10	25,000	1,000	110,000
District No. 9.						
State Bank of	Edinburg	N.Dak.	Jan. 3	15,000	2,000	129,000
Martin State Bank	Martin	N.Dak.	" 4	15,000	3,000	149,000
Citizens State Bank	Rice Lake	Wis.	" 7	35,000	3,000	358,000
Farmers State Bank	Big Bend City,	Minn.	" 8	10,000	3,000	59,000
Citizens State Bank	Fort Rice	N.Dak.	" 9	10,000	5,000	54,000
District No. 10.						
Bank of Cedar Bluffs,	Cedar Bluffs,	Nebr.	" 8	20,000	1,000	363,000
American Bank	Mitchell	"	" 6	35,000	11,000	244,000
Farmers & Merchants Bank	Elm Creek	"	" 7	25,000	5,000	265,000
Bank of Waco	Waco	Mo.	" 8	10,000	7,000	85,000
Oklahoma State Bank	Ochelata	Okla.	" 7	10,000	3,000	97,000
Merchants Bank	Utica	Nebr.	" 9	20,000	5,000	345,000

Closed Banks Reopened:

None.

BANKS REPORTED CLOSED
WEEK ENDED JANUARY 17, 1930.

Member banks indicated by an asterisk (*).

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 4.						
*First National Bank	Seward	Pa.	Jan. 10	25,000	15,000	174,000
District No. 5.						
Lafayette Bk.& Tr. Co.	Fayette-ville	N. C.	Jan. 11	50,000	23,000	905,000
Bank of Castalia	Castalia	N. C.	Dec. 14	13,000	-	64,000
Bank of Oak City	Oak City	N. C.	Dec. 23	10,000	8,000	134,000
District No. 6.						
Bank of Ensley	Ensley	Ala.	Jan. 11	200,000	314,000	4,353,000
*First National Bank	Florala	Ala.	" 13	100,000	20,000	400,000
Bank of Oviedo	Oviedo	Fla.	" 15	30,000	11,000	287,000
Watertown Bank	Watertown	Fla.	" 17	15,000	7,000	45,000
District No. 7.						
Blackhawk State Bank	Blackhawk	Wis.	Dec. 30	10,000	9,000	212,000
First State Bank	Humbird	Wis.	" 5	25,000	7,000	167,000
Blue Island Trust & Savings Bank	Blue Island,	Ill.	Jan. 13	150,000	65,000	1,553,000
Bank of Cohoctah	Cohoctah	Mich.	" 11	8,000	7,000	90,000
*Independence State Bank,	Chicago	Ill.	" 15	400,000	203,000	5,587,000
Argos State Bank	Argos	Ind.	" 17	25,000	5,000	332,000
North Liberty State Bk	No.Liberty,	Ind.	" 17	50,000	2,000	132,000
Loyal State Bank	Loyal	Wis.	" 17	25,000	9,000	360,000
District No. 8.						
Bank of Fairgrove	Fairgrove	Mo.	Jan. 13	10,000	5,000	145,000
Bank of Mineola	Mineola	Mo.	" 13	(no figures available)		
New Harmony Bk.& Tr.Co.	New Harmony,	Ind.	" 14	50,000	5,000	396,000
District No. 9.						
Gwinner State Bank	Gwinner	N. Dak.	Jan. 11	20,000	5,000	154,000
Farmers State Bank	Cushing	Minn.	" 13	10,000	2,000	23,000
Milaca State Bank	Milaca	Minn.	" 15	30,000	1,000	150,000
District No. 10.						
Missouri State Bank	Jasper	Mo.	Jan. 15	10,000	3,000	84,000
First Bank of Miller	Miller	Nebr.	" 16	25,000	8,000	165,000

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 11.						
*First State Bank	Wolfe City	Tex.	Jan. 15	25,000		
		Closed Banks Reopened:				Date opened
District No. 5.						
State Bank of North	North	S. C.	11-27-29	12,000	3,000	12-24-29
District No. 7.						
Blackhawk State Bank	Blackhawk	Wis.	12-30-29	10,000	9,000	1-14-30
District No. 10.						
Peoples State Bank	Wolbach	Nebr.	8- 5-29	25,000	9,000	1-11-30

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BANKS REPORTED CLOSED
WEEK ENDED JANUARY 24, 1930.

Member banks indicated by an asterisk (*).

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 5.						
*First National Bank	Bishopville	S. C.	Jan.16	100,000	152,000	1,187,000
Bank of Del Ray	Del Ray	Va.	" 21	25,000	2,000	61,000
Bank of Hagood	Hagood	S. C.	" 18	10,000	5,000	26,000
Bank of Enoree	Enoree	S. C.	" 21	25,000	13,000	130,000
Consolidated Bank	McColl	S. C.	" 20	75,000	- -	243,000
Citizens Bank	Taylors	S. C.	" 24	10,000	2,000	107,000
Bank of Woodville	Woodville	S. C.	" 24	10,000	2,000	40,000
Seneca Bank	Seneca	S. C.	" 24	20,000	25,000	767,000
District No. 7.						
Bradley Bank	Mystic	Iowa	Jan.23	25,000	5,000	500,000
South Side Svgs.Bank,	Centerville,	"	" 22	10,000	5,000	331,000
Security State Bank	Promise City	"	" 22	25,000	7,000	216,000
District No. 8.						
Bank of Bradleyville,	Bradleyville,	Mo.	Jan.23	10,000	1,000	37,000
District No. 9.						
Bank of Firesteel	Firesteel	S. Dak.	Jan.20	10,000	6,000	55,000
Central Bank & Trust Co.	Lewistown	Mont.	Jan.21	100,000	16,000	1,091,000
Farmers & Merchants Bank	Winnett	Mont.	Jan.21	25,000	3,000	266,000
Moccasin State Bank	Moccasin	Mont.	" 22	25,000	1,000	200,000
District No. 10.						
Bank of Amity	Amity	Mo.	Jan.17	10,000	40,000	148,000
*First National Bank	Burlington Junction	Mo.	Jan.22	25,000	30,000	322,000
District No. 11.						
*First State Bank	Wolfe City	Texas	Jan.15	25,000	- -	52,000

Closed Banks Reopened:

None.

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BANKS REPORTED CLOSED
WEEK ENDED JANUARY 31, 1930.

Member banks indicated by an asterisk (*).

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 6.						
Bank of Crawfordville,	Crawfordville,	Ga.	Jan. 27	$25,000	$19,000	$167,000
*First National Bank,	Coffee Springs,	Ala.	" 30	25,000	11,000	50,000
*Dothan National Bank	Dothan	"	" 30	400,000	79,000	1,162,000
Commercial Bank	St.Augustine,	Fla.	" 30	30,000	37,000	1,006,000
Salzburger Bank	Pineora	Ga.	" 29	25,000	- -	75,000
District No. 7.						
Clermont State Bank,	Clermont	Iowa	Jan. 24	45,000	18,000	215,000
First State Bank	Kewanna	Ind.	" 27	25,000	7,000	268,000
West Central State Bank	Chicago	Ill.	" 28	200,000	46,000	709,000
*Whiteside County State Bank	Fulton	Ill.	" 31	50,000	16,000	510,000
Farmers Trust & Savings Bank	Kokomo	Ind.	" 30	150,000	99,000	1,678,000
District No. 8.						
Bank of Piggott	Piggott	Ark.	Jan. 31	50,000	1,000	288,000
District No. 9.						
State Bank of Nevis	Nevis	Minn.	Jan. 24	10,000	- -	56,000
Citizens State Bank	Sykeston	N.Dak	" 25	10,000	6,000	130,000
First State Bank	White Earth	" "	" 30	15,000	2,000	85,000
District No. 10.						
The Exchange Bank	Ong	Nebr.	Jan. 25	25,000	4,000	200,000
Farmers & Merchants Bank	Wymore	Nebr.	Jan. 25	35,000	2,000	283,000
Citizens State Bank	Elk City	Kans.	" 29	15,000	3,000	100,000
*First National Bank	Humphrey	Nebr.	" 29	35,000	40,000	403,000
State Guaranty Bank	Sperry	Okla.	" 31	10,000	1,000	99,000
	Closed Banks Reopened					**Date opened**
District No. 8.						
New Canton State Bank	New Canton	Ill.	12-16-29	25,000	26,000	1-20-30

BANKS REPORTED CLOSED
WEEK ENDED FEBRUARY 7, 1930.

Member banks indicated by an asterisk (*).

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 5.						
Farmers Bank	Greenville	N. C.	Feb. 3	44,000	4,000	267,000
Rutherford County Bank & Trust Co. with branches at Spindale and Union Mills.	Rutherfordton,	N. C.	Feb. 5	200,000	24,000	1,112,000
Farmers Bank & Tr. Co. with branch at Caroleen.	Forest City,	N.C.	Feb. 5	250,000	266,000	2,281,000
Chimney Rock Tr. Co.	Chimney Rock,	N.C.	Feb. 5	24,000	13,000	175,000
Bank of Faison	Faison	N. C.	Jan. —	20,000	2,000	95,000
Citizens Bank	Gates	N. C.	Jan. —	10,000	3,000	89,000
District No. 6.						
Bank of Epes	Epes	Ala.	Jan. 24	13,000	13,000	15,000
Blount County Bank	Oneonta	"	" 28	25,000	15,000	231,000
Northport Bank	Northport	"	Feb. 1	15,000	2,000	80,000
Peoples Bank	Pinckard	"	" 3	40,000	12,000	96,000
Clio Banking Co.	Clio	"	Jan. 3	50,000	20,000	105,000
*First National Bank	Brantley	"	Feb. 5	50,000	6,000	213,000
District No. 7.						
State Bank of Williams	Williams	Iowa	Feb. 3	35,000	7,000	287,000
Savings Bank of Salem	Salem	"	" 5	25,000	11,000	240,000
Farmers & Traders Bank	Monon	Ind.	" 6	50,000	6,000	240,000
H.N.Schuyler State Bank	Pana	Ill.	" 7	200,000	30,000	2,297,000
State Bank of Otterbein	Otterbein	Ind.	" 7	50,000	15,000	737,000
*First National Bank	Milford	Ill.	" 7	50,000	20,000	450,000
Farmers State Savings Bank	Cornell	Ill.	Feb. 7	30,000	10,000	101,000
District No. 8.						
Nokomis State Bank	Nokomis	Ill.	Feb. 7	50,000	7,000	411,000
District No. 9.						
Farmers State Bank	Colcharbor	N.Dak.	Jan.31	20,000	4,000	170,000
State Bank of Webster	Webster	Minn.	" 31	20,000	7,000	274,000
*First National Bank	Northwood	N.Dak.	Feb. 5	50,000	10,000	292,000
District No. 10.						
Citizens State Bank	Altus	Okla.	Feb. 3	25,000	17,000	630,000
Security Savings Bank	Beatrice	Nebr.	" 3	30,000	-	214,000

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 11.						
First State Bank	Polytechnic	Tex.	Feb. 1	25,000	19,000	[illegible],000
*Texas National Bank	Ft. Worth	Texas	" 1	500,000	257,000	7,061,000
*First National Bank	Royse City	"	" 7	50,000	18,000	293,000
Aubrey State Bank	Aubrey	"	" 3	25,000	6,000	85,000

Closed Banks Reopened:

				Date opened
District No. 7.				
*Taylorville National Bank,	Taylorville,	Ill.		
		10-18-29	150,000	30,000	2- 3-30

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BANKS REPORTED CLOSED
WEEK ENDED FEBRUARY 14, 1930.

Member banks indicated by an asterisk (*).

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 4.						
Hargis Bank & Tr. Co.	Jackson	Ky.	Feb.13	100,000	27,000	892,000
District No. 5.						
Peoples Bank	Appalachia	Va.	Feb.10	50,000	22,000	480,000
American State Bank	Gaffney	S. C.	" 13	150,000	15,000	710,000
and branches at:	Cowpens	"				
and	Blacksburg	"				
Bank of Chesnee	Chesnee	S. C.	Feb.14	50,000	28,000	536,000
*First National Bank	Gaffney	S. C.	" 14	150,000	194,000	1,619,000
District No. 6.						
Butler County Bank	Georgiana	Ala.	Feb. 8	25,000	23,000	416,000
District No. 7.						
Peoples State Bank	Maywood	Ill.	Feb. 8	100,000	23,000	650,000
Rosamond State Bank	Rosamond	Ill.	" 8	10,000	2,000	42,000
Blackhawk State Bank	Blackhawk	Wis.	" 10	10,000	8,000	212,000
Monroe State Bank	Monroe	Ind.	" 13	25,000	4,000	124,000
District No. 8.						
Bank of Greenway	Greenway	Ark.	Feb.10	10,000	- -	38,000
Bank of Clarksville	Clarksville	"	" 11	25,000	11,000	315,000
Fillmore State & Savings Bank	Fillmore	Ill.	Feb.12	25,000	7,000	161,000
District No. 9.						
*First National Bank	Roy	Mont.	Feb.11	25,000	7,000	77,000
First State Bank	Philipsburg	"	" 13	50,000	10,000	415,000
District No. 10.						
Nebraska State Bank	O'Neill	Nebr.	Feb.10	25,000	15,000	425,000
District No. 11.						
Farmers State Bank	Merkel	Texas	Feb.10	50,000	13,000	497,000
*First National Bank	Ennis	"	" 10	100,000	10,000	580,000
*Commercial Nat. Bank	Jefferson	"	" 10	30,000	5,000	175,000
*Exchange Nat. Bank	Shreveport	La.	" 14	200,000	42,000	1,680,000
	Closed Banks Reopened:					**Date opened**
District No. 10.						
Bank of Eagle	Eagle	Nebr.	10-11-29	20,000	5,000	2- 8-30
Harrison State Bank	Harrison	"	12-19-29	20,000	13,000	1-18-30
Cairo State Bank	Cairo	"	11-20-29	16,000	9,000	2- 7-30
Farmers State Bank	Cairo	"	11-20-29	15,000	7,000	2- 7-30

BANKS REPORTED CLOSED
WEEK ENDED FEBRUARY 21, 1930.

Member banks indicated by an asterisk (*).

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 5.						
Bank of Bethune	Bethune	S. C.	Jan.31	15,000	5,000	123,000
Bank of Wagram	Wagram	N. C.	Feb.15	15,000	4,000	100,000
Angier Bank & Tr.Co.	Angier	N. C.	" 20	25,000	3,000	135,000
District No. 6.						
*First National Bank	Tallassee	Ala.	Feb.17	25,000	15,000	498,000
Farmers & Merchants Bank	Ft. Payne	Ala.	Feb. 5	30,000	1,000	54,000
Bank of Ramer	Ramer	"	" 13	25,000	3,000	33,000
Cedar Keys State Bank	Cedar Keys	Fla.	Feb.20	15,000	23,000	225,000
District No. 7.						
State Bank of	Pierceton	Ind.	Feb.17	40,000	10,000	276,000
Plymouth State Bank	Plymouth	Ind.	" 20	75,000	45,000	913,000
District No. 8.						
Bank of Marshall	Marshall	Mo.	Feb.15	50,000	10,000	235,000
Bank of Mt.Moriah	Mt.Moriah	Mo.	" 18	20,000	- -	30,000
First State Bank	Galatia	Ill.	" 20	15,000	2,000	194,000
District No. 9.						
Farmers State Bank	Opheim	Mont.	Feb.17	25,000	2,000	208,000
*First National Bank	Ambrose	N.Dak.	" 20	25,000	5,000	140,000
District No. 10.						
Bank of Douglas	Douglas	Nebr.	Feb.18	20,000	7,000	170,000
District No. 11.						
First State Bank	Bloomington,Tex.		Feb.21	20,000	1,000	36,000
District No. 12.						
*Colton National Bank	Colton	Calif.	Feb.20	50,000	15,000	524,000
	Closed Banks Reopened:					**Date opened**
District No. 6.						
*First National Bank	Claxton	Ga.	12- 5-29	50,000	20,000	2-21-30
District No. 7.						
*Lilley State Bank	Tecumseh	Mich.	11-30-29	40,000	28,000	2-17-30

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BANKS REPORTED CLOSED
WEEK ENDED FEBRUARY 28, 1930.

Member banks indicated by an asterisk (*).

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 5.						
Bank of Potecasi	Potecasi	N. C.	Feb. 25	10,000	- -	41,000
District No. 6.						
Autauga Banking & Trust Co.	Prattville	Ala.	Feb. 24	75,000	35,000	515,000
*Orrville Bank & Trust Co.	Orrville	Ala.	Feb. 28	35,000	9,000	80,000
Pell City Bank & Trust Co.	Pell City	Ala.	Feb. 28	20,000	16,000	159,000
District No. 7.						
*American National Bank,	Kewanna	Ind.	Feb. 24	25,000	7,000	264,000
Lakeville State Bank	Lakeville	"	" 25	24,000	1,000	117,000
Union Savings Bank	Redding	Iowa	" 25	20,000	8,000	150,000
*Commercial Nat.Bank	Chatsworth	Ill.	" 26	40,000	27,000	401,000
Farmers State Bank	Tyner	Ind.	" 27	25,000	10,000	138,000
Peoples Trust & Savings Bank	Streator	Ill.	Feb. 27	100,000	60,000	1085,000
Farmers State Bank	Lapaz	Ind.	" 28	25,000	19,000	230,000
Farmers State Bank	Walkerton	"	" 28	25,000	13,000	165,000
Farmers State Bank	Rockwell	Iowa	" 28	25,000	15,000	367,000
Citizens State Bank	Lagro	Ind.	" 28	25,000	12,000	155,000
District No. 8.						
Bank of Bevier	Bevier	Mo.	Feb. 25	(no figures available).		
Hill View State Bank	Hill View	Ill.	" 27	25,000	2,000	72,000
District No. 9.						
Security State Bank	Edmore	N. Dak.	Feb. 24	25,000	7,000	110,000
District No. 10.						
Malmo State Bank	Malmo	Nebr.	Feb. 24	15,000	- -	105,000
District No. 11.						
*Farmers & Merchants National Bank	Henderson	Texas	Feb. 24	100,000	61,000	1083,000
*First National Bank	Rising Star	"	" 27	25,000	10,000	227,000

Member Banks indicated by an asterisk (*).

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 12.						
*First National Bank	Tranquillity	Cal.	Feb. 27	50,000	8,000	346,000
	Closed Banks Reopened:					Date opened
District No. 9.						
Farmers & Merchants State Bank	River Falls	Wis.	9-30-29	75,000	25,000	2-15-30

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BANKS REPORTED CLOSED
WEEK ENDED MARCH 7, 1930.

Member banks indicated by an asterisk (*).

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 6.						
Citizens Bank	Daisy	Tenn.	Feb. 1	12,000	3,000	57,000
District No. 7.						
Farmers State Bank	Flanagan	Ill.	Mar. 1	35,000	18,000	378,000
Farmers & Merchants State Bank	Tallula	Ill.	Mar. 3	50,000	10,000	104,000
Grand View Svgs.Bank	Grand View	Iowa	" 5	15,000	8,000	172,000
Garard Trust & Savings Bank	Chicago	Ill.	Mar. 6	(no figures available)		
District No. 8.						
*Peoples First Nat.Bank	White Hall	Ill.	Feb.28	100,000	12,000	558,000
Farmers State Bank	Mason	"	Mar. 3	25,000	- -	100,000
District No. 9.						
State Bank of Butler	Butler	S.Dak.	Mar. 4	15,000	- -	90,000
Douglas State Bank	Douglas	N.Dak.	" 5	20,000	10,000	158,000
Security State Bank	Overly	N.Dak.	" 6	15,000	4,000	27,000
District No. 10.						
McCurtain State Bank	McCurtain	Okla.	Mar. 6	15,000	- -	47,000
District No. 12.						
E. G. Caruthers State Bank	Somerton	Ariz.	Feb.28	15,000	22,000	277,000

			Closed Banks Reopened:			Date opened
District No. 10.						
American State Bank (Reopened under name of Bank of Commerce).	York	Nebr.	11-18-29	50,000	30,000	3- 3-30

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BANKS REPORTED CLOSED
WEEK ENDED MARCH 14, 1930.

Member banks indicated by an asterisk (*).

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 5.						
First State Bank of Boones Path	Rose Hill	Va.	Mar. 8	10,000	28,000	143,000
District No. 6.						
*Exchange Bank	Cordele	Ga.	Mar. 7	100,000	106,000	564,000
Lithonia Banking Co.	Lithonia	"	" 12	25,000	4,000	61,000
Bank of Scotland	Scotland	"	" 13	25,000	13,000	143,000
Peoples Bank for Savings	St.Augustine	Fla.	Mar. 8	25,000	122,000	1,209,000
Florida Title & Trust Co.	Miami	Fla.	Mar. 8	100,000	106,000	(no deposits)
Bank of Titusville & Trust Co.	Titusville	Fla.	Mar.12	50,000	55,000	681,000
Bank of Napoleonville	Napoleonville	La.	Feb. 3	40,000	70,000	350,000
Soddy Banking Co.	Soddy	Tenn.	Jan.28	15,000	15,000	138,000
District No. 7.						
Peoples Bank of Rothfuss Bros.& Co.	Ottawa Lake	Mich	Mar. 8	(no figures available).		
First State Bank	Kirklin	Ind.	" 8	25,000	6,000	156,000
Citizens State Bank	Royal Center	"	" 8	25,000	10,000	193,000
Exchange Svgs.Bank	Dickens	Iowa	" 8	40,000	2,000	212,000
Oakville State Savings Bank	Oakville	Iowa	" 10	25,000	3,000	150,000
Farmers State Bank	Camden	Ind.	" 12	25,000	2,000	102,000
District No. 8.						
Citizens Trust Co.	Caruthersville	Mo.	Mar.10	100,000	40,000	532,000
Southern Trust Co.	Mexico	Mo.	" 13	50,000	10,000	425,000
District No. 9.						
*First National Bank	Edmore	N.Dak.	Mar. 8	25,000	5,000	185,000
*Citizens National Bank	Streeter	" "	" 10	25,000	10,000	170,000
Glenham State Bank	Glenham	S.Dak.	" 14	15,000	1,000	95,000
Farmers & Merchants State Bank	Donnelly	Minn.	" 14	15,000	4,000	313,000
Farmers State Bank	Wilder	"	" 12	10,000	8,000	84,000
Tappen State Bank	Tappen	N.Dak.	" 13	30,000	4,000	207,000

Name of Bank	City	State	Date	Capital	Surplus	Total deposits
District No. 10.						
Sun State Bank	Sun City	Kans.	Mar.11	10,000	4,000	55,000
Bank of Gentry	Gentry	Mo.	" 13	20,000	25,000	192,000

Closed Banks Reopened

						Date opened
District No. 7.						
Central Oak Park State Bank	Oak Park	Ill.	11-15-29	100,000	14,000	3-11-30
Farmers & Traders State Bank	Monon	Ind.	2- 6-30	50,000	6,000	3- 5-30
District No. 6.						
Bank of Napoleonville (Reorganized under name of Citizens Bank & Trust Co.)	Napoleonville	La.	2- 3-30	40,000	70,000	3- 3-30
District No. 10.						
Bank of Cedar Bluffs	Cedar Bluffs	Neb.	1- 8-30	20,000	1,000	3-10-30

BANKS REPORTED CLOSED
WEEK ENDED MARCH 21, 1930.

Member banks indicated by an asterisk (*).

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 4.						
Lima Dime Savings Bank	Lima	Ohio	Mar.19	100,000	8,000	294,000
District No. 5.						
Bank of Pomaria	Pomaria	S. C.	Mar.14	15,000	9,000	65,000
Bank of Kelford	Kelford	N. C.	Feb. 1	15,000	2,000	117,000
Com'l & Farmers Bank	Mebane	N. C.	Mar.17	25,000	28,000	324,000
District No. 6.						
Bank of Telford	Telford	Tenn.	Mar.19	20,000	6,000	105,000
District No. 7.						
*Security Nat. Bank	Cherokee	Iowa	Mar.15	50,000	5,000	157,000
Farmers State Bank	Monticello,	Ind.	" 17	25,000	9,000	270,000
Bank of Uniondale	Uniondale,	Ind.	" 19	10,000	-	185,000
Smithshire State Bank	Smithshire,	Ill.	" 20	35,000	23,000	206,000
Farmers Savings Bank	Bernard	Iowa	" 20	15,000	4,000	220,000
District No. 8.						
First State Bank	Bonegap	Ill.	Mar.20	15,000	3,000	92,000
District No. 9.						
Far. & Merch. Bank	Hankinson,	N.Dak.	Mar.17	20,000	5,000	125,000
Farmers State Bank	Currie	Minn.	" 21	20,000	5,000	155,000
District No. 10.						
*Com'l National Bank	Independence,	Kans.	Mar.14	250,000	282,000	5,210,000
State Bank of Buffalo	Buffalo	Kans.	Mar.19	20,000	4,000	161,000
Commercial State Bank	Cawker City,	Kans.	Mar.19	25,000	25,000	179,000
District No. 11.						
*First National Bank	McKinney	Texas	Mar.19	100,000	113,000	1,887,000
Closed Banks Reopened:						**Date opened**
District No. 7.						
State Bank of Otterbein	Otterbein	Ind.	2- 7-30	50,000	15,000	3-14-30
Smithshire State Bank	Smithshire,	Ill.	3-20-30	35,000	23,000	3-21-30
District No. 10.						
Antelope State Bank	Neligh	Nebr.	10-19-29	50,000	12,000	3-15-30
District No. 12.						
E.G.Caruthers State Bank (under name of Farmers Commercial State Bank)	Somerton	Ariz.	2-28-30	15,000	22,000	3-21-30

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BANKS REPORTED CLOSED
WEEK ENDED MARCH 28, 1930

Member banks indicated by an asterisk (*).

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 1.						
Hampshire County Trust Co.	Northampton	Mass.	Mar. 28	150,000	220,000	2,708,000
District No. 4.						
Peoples & Drovers Bank	Washington Court House	Ohio	Mar. 25	125,000	57,000	986,000
District No. 7.						
Bank of Hortonville	Hortonville	Wis.	Mar. 25	50,000	12,000	443,000
First State Bank	Williamsfield	Ill.	" 27	30,000	17,000	200,000
Monmouth Svgs.Bank	Monmouth	Iowa	" 27	25,000	11,000	113,000
Citizens Bank	Covington	Ind.	" 28	60,000	23,000	430,000
River Park State Bank	South Bend	Ind.	" 28	50,000	11,000	123,000
State Bank of Lodi	Lodi	Wis.	" 28	25,000	20,000	646,000
District No. 8.						
Bank of Centralia	Centralia	Mo.	Mar. 24	50,000	58,000	365,000
District No. 9.						
Security State Bank	Medina	N.Dak.	Mar. 22	15,000	3,000	110,000
Farmers & Merchants State Bank	Tripp	S.Dak.	Mar. 28	40,000	17,000	215,000
District No. 10.						
*First National Bank	Wanette	Okla.	Mar. 20	25,000	2,000	312,000
*Central National Bank	Bartlesville	Okla.	" 22	100,000	56,000	1,100,000

Closed Banks Reopened:						Date opened
District No. 5.						
Southern Md. Trust Co. and branch at:	Seat Pleasant, Upper Marlboro.	Md.	12-13-29	200,000	120,000	3-26-30

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BANKS REPORTED CLOSED
WEEK ENDED APRIL 4, 1930.

Member banks indicated by an asterisk (*).

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 7.						
Farmers Bank	Bowen	Ill.	Mar. 29	50,000	8,000	261,000
Lincoln Bank & Tr. Co.	Muncie	Ind.	" 31	50,000	8,000	424,000
*Pana National Bank	Pana	Ill.	" 29	100,000	28,000	881,000
Farmers State Bank	Cabery	Ill.	" 31	25,000	9,000	362,000
Mulberry Bk. & Tr. Co.	Mulberry	Ind.	" 31	25,000	5,000	292,000
Citizens State Bank	Gillett	Wis.	Apr. 2	50,000	24,000	759,000
Woodhull State Bank	Woodhull	Ill.	" 3	40,000	35,000	475,000
District No. 8.						
Union Easton Trust Co.	St. Louis	Mo.	Mar. 29	200,000	34,000	884,000
Bank of Charleston	Charleston	Ark.	" 31	25,000	21,000	220,000
*First National Bank	Norris City,	Ill.	" 31	25,000	15,000	147,000
Hurst State Bank	Hurst	Ill.	Apr. 2	25,000	3,000	275,000
Bank of Wayland	Wayland	Mo.	" 1	20,000	3,000	188,000
Citizens Bank	Doniphan	Mo.	" 3	10,000	2,000	110,000
District No. 9.						
Farmers & Merchants Bk	Verona	N.Dak.	Mar. 29	15,000	5,000	98,000
Weyerhauser State Bank	Weyerhauser,	Wis.	" 31	10,000	3,000	101,000
State Bank of Glen Flora,	Glen Flora,	Wis.	Apr. 1	10,000	-	40,000
Ware & Griffin Bank	Clark	S.Dak.	" 3	25,000	4,000	311,000
District No. 10.						
Amazonia State Bank	Amazonia	Mo.	Apr. 1	10,000	6,000	77,000
Citizens State Bank	Thedford	Nebr.	" 1	15,000	2,000	95,000
Farmers State Bank	Leon	Kans.	" 3	15,000	8,000	165,000
District No. 12.						
Security State Bank	Richland	Wash.	Apr. 1	20,000	18,000	264,000
Closed Banks Reopened:						Date opened
District No. 10.						
State Bank of Buffalo	Buffalo	Kans.	3-19-30	20,000	4,000	4- 2-30

BANKS REPORTED CLOSED
WEEK ENDED APRIL 11, 1930

Member banks indicated by an asterisk (*).

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 5.						
Farmers & Merchants Bank and branch at:	Mooresboro Boiling Springs.	N. C.	Apr. 8	$26,000	$6,000	$215,000
Citizens & Commercial Bank	Franklinton	N. C.	Apr. 9	50,000	32,000	317,000
Farmers & Merchants Bank	Louisburg	N. C.	Apr. 9	50,000	26,000	626,000
Bank of St. Pauls	St. Pauls	N. C.	Mar. 6	50,000	30,000	208,000
District No. 6.						
*National Bank of	Tifton	Ga.	Apr. 8	100,000	34,000	669,000
Bank of Warrior (Private bank)	Warrior	Ala.	Mar. 17	10,000	2,000	100,000
District No. 7.						
Citizens Bank	Carlisle	Iowa	Apr. 4	25,000	25,000	287,000
Chandlerville State Bank	Chandlerville	"	Apr. 8	60,000	30,000	344,000
Lancaster State Bank	Lancaster	Wis.	" 8	50,000	10,000	400,000
Herrin State Savings Bank	Herrin	Ill.	Apr. 9	50,000	49,000	700,000
Central Bank	Arcadia	Ind.	" 9	10,000	15,000	189,000
Laketon State Bank	Laketon	Ind.	" 9	25,000	4,000	110,000
Henry Denhart & Co.	Washington	Ill.	" 11	100,000	18,000	938,000
District No. 8.						
Citizens State Bank	Johnston City	Ill.	Apr. 11	50,000	63,000	720,000
District No. 9.						
Lakeside State Bank	Lake Andes	S.Dak.	Apr. 4	42,000	-	391,000
Glover State Bank	Glover	N.Dak.	" 10	15,000	1,000	47,000
District No. 10.						
Farmers Trust Co.	Maryville	Mo.	Apr. 8	200,000	50,000	1,403,000
Farmers State Bank	Newport	Nebr.	" 7	25,000	1,000	62,000
First State Bank	Centralia	Okla.	" 5	15,000	2,000	63,000
	Closed Banks Reopened:					**Date Open**
District No. 6.						
Peoples Bank for Svgs.	St.Augustine,	Fla.	3- 8-30	25,000	122,000	3-31-30
Cedar Keys State Bk.	Cedar Keys	Fla.	2-20-30	15,000	23,000	3-29-30
First State Bank	Ft. Meade	Fla.	7-17-29	75,000	44,000	4- 3-30

BANKS REPORTED CLOSED
WEEK ENDED APRIL 18, 1930

Member banks indicated by an asterisk (*).

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 5.						
Peoples Bank	Sanford	N. C.	Apr. 7	25,000	10,000	310,000
Bank of Marshville	Marshville	N. C.	" 7	40,000	20,000	300,000
District No. 6.						
*Bank of Candler Co.	Metter	Ga.	Apr. 17	25,000	46,000	276,000
District No. 7.						
Toth State Bank	South Bend	Ind.	Apr. 12	100,000	21,000	418,000
State Bank of	Fennimore	Wis.	" 14	100,000	25,000	900,000
Fisher State Bank	Fisher	Ill.	" 15	25,000	7,000	165,000
Farmers & Merch.Bank	Tomah	Wis.	" 16	50,000	18,000	1,416,000
Badger State Bank	Cassville	Wis.	" 17	30,000	11,000	533,000
Jay County Savings & Trust Co.	Portland	Ind.	Apr. 18	25,000	9,000	330,000
Otley Savings Bank	Otley	Iowa	" 17	10,000	1,000	125,000
District No. 8.						
Marion Trust & Savings Bank	Marion	Ill.	Apr. 14	150,000	60,000	1,982,000
First State Bank	Pittsburg	Ill.	" 14	30,000	21,000	100,000
Cambria State Bank	Cambria	Ill.	" 15	25,000	4,000	150,000
Carterville State & Savings Bank	Carterville,	Ill.	Apr. 15	50,000	52,000	528,000
Bank of Pleasant Green,	Pleasant Green	Mo.	Apr. 18	13,000	15,000	65,000
District No. 9.						
Charles Mix County Bank,	Geddes	S. Dak.	Apr. 14	50,000	6,000	387,000
Commercial State Bank	Platte	S. Dak.	" 14	50,000	7,000	705,000
Security Bank	Winner	S. Dak.	" 17	40,000	-	441,000
District No. 10.						
*Saunders Co. Nat. Bank	Wahoo	Nebr.	Apr. 15	50,000	55,000	585,000
Nebraska State Svgs.Bk	Wahoo	"	" 15	25,000	8,000	327,000
Citizens State Bank	Wahoo	"	" 17	30,000	28,000	565,000
Farmers & Merch.Bank	Weston	"	" 16	12,000	9,000	234,000
Oak Creek Valley Bank	Valparaiso	"	" 16	20,000	16,000	300,000
State Bank of Colon	Colon	"	" 16	20,000	15,000	341,000
State Bank of Touhy	Touhy	"	" 15	5,000	2,000	65,000
East Lake State Bank	East Lake	Colo.	" 18	15,000	-	80,000
Liberty Trust Co.	Kansas City	Mo.	" 18	250,000	55,000	None.
District No. 11.						
*State National Bank	Idabel	Okla.	Apr. 18	50,000	6,000	535,000

BANKS REPORTED CLOSED
WEEK ENDED APRIL 25, 1930

Member banks indicated by an asterisk (*).

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 1.						
P. M. D'Esepo Co. (Private bank)	Hartford	Conn.	Apr. 23	500,000	18,000	848,000
District No. 4.						
Peoples Bank Co.	Alliance	Ohio	Apr. 22	100,000	66,000	1,082,000
Peoples Bank	Mt.Vernon	Ky.	" 24	20,000	33,000	350,000
District No. 5.						
Cambridge Bank	Ninety-six,	S.C.	Apr. 22	50,000	44,000	204,000
Bank of Union	Monroe	N.C.	" 22	100,000	105,000	1,000,000
*First National Bank	Monroe	N.C.	" 23	100,000	81,000	1,189,000
Farmers Bk & Tr. Co.	Monroe	N.C.	" 23	100,000	29,000	359,000
District No. 6.						
Palmetto State Bank	Palmetto	Fla.	Apr. 17	18,000	5,000	142,000
Commercial Bank	Jasper	Fla.	" 22	15,000	7,000	210,000
Citizens Bank	Madison	Fla.	" 22	50,000	34,000	595,000
First State Bank	Erwin	Tenn.	" 19	35,000	20,000	485,000
*First National Bank	Jasper	Fla.	" 24	30,000	12,000	195,000
Fidelity Bk & Tr. Co.	St. Petersburg, Fla.		" 25	100,000	37,000	243,000
District No. 7.						
Farmers State Bank	Veedersburg,	Ind.	Apr. 18	25,000	10,000	145,000
Charlotte Tr.& Svgs.Bk	Charlotte	Iowa	" 19	40,000	6,000	150,000
Peoples Trust Co.	Muncie	Ind.	" 22	100,000	24,000	1,116,000
Peoples Savings Bank	Blakesburg,	Iowa	" 19	15,000	9,000	138,000
Farmers Savings Bank	Corwith	Iowa	" 21	60,000	15,000	300,000
Farmers State Bank	Belmont	Wis.	" 23	20,000	31,000	434,000
Farmers & Merch.Bank	Richland Center,	Wis.	" 21	50,000	42,000	708,000
State Bank of Atlanta	Atlanta	Ind.	" 23	25,000	8,000	161,000
Dime Savings Bank	Carthage	Ill.	" 25	50,000	10,000	400,000
First State Bank	Greenup	Ill.	" 25	25,000	2,000	150,000
Peoples State Bank	Prairie du Chien	Wis.	" 25	50,000	15,000	920,000
District No. 8.						
Anna State & Trust Bk	Anna	Ill.	Apr. 21	50,000	14,000	450,000
Belle Rive State Bank	Belle Rive	"	" 22	15,000	1,000	60,000
First State Svgs. Bank	West Frankfort	Ill.	" 25	100,000	13,000	805,000

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BANKS REPORTED CLOSED
WEEK ENDED MAY 2, 1930.

Member banks indicated by an asterisk (*).

Name of Bank	City	State	Date closed	Capital	Surplus & profits.	Total deposits
District No. 4.						
Farmers Bank Co.	Rossburg	Ohio	Apr. 28	25,000	5,000	160,000
District No. 5.						
Tuckaseegee Bank	Sylva	N. C.	Apr. 28	21,000	10,000	258,000
*First National Bank	Pineville	W.Va.	May 1	25,000	26,000	285,000
District No. 6.						
American Bk.& Tr.Co.	St.Petersburg,Fla.		Apr. 30	200,000	463,000	2,973,000
Oakdale Bk. & Tr.Co.	Oakdale	Tenn.	Mar. 28	10,000	10,000	200,000
District No. 7.						
State Svgs.& Tr. Co.	Indianapolis, Ind.		Apr. 26	375,000	48,000	1,613,000
Citizens Savings Bk.	Harper	Iowa	" 26	15,000	2,000	100,000
District No. 9.						
Platte State Bank	Platte	S.Dak.	Apr. 26	25,000	30,000	485,000
Tripp County State Bk.,	Colome	" "	" 28	25,000	11,000	260,000
First State Bank	Garrison	N.Dak.	" 26	25,000	3,000	238,000
District No. 10.						
Jackson Bank	Clearmont	Mo.	Apr. 28	20,000	1,000	126,000
Farmers Bank	Skidmore	Mo.	May 1	10,000	32,000	188,000
Peoples State Bank	Ft. Scott	Kans.	" 2	25,000	24,000	542,000
District No. 11.						
Glendale Bank of Commerce	Glendale	Ariz.	Apr. 30	25,000	2,000	275,000
		Closed Banks Reopened				Date Open
District No. 6.						
Bank of Ramer	Ramer	Ala.	2-13-30	25,000	3,000	4- 9-30
District No. 7.						
Farmers State Bank	Lapaz	Ind.	2-28-30	25,000	19,000	5- 1-30
District No. 10.						
Exchange Bank	Gibbon	Nebr.	12-31-29	30,000	13,000	5- 1-30

BANKS REPORTED CLOSED
WEEK ENDED MAY 9, 1930.

Member banks indicated by an asterisk (*).

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 4.						
Farmers & Merchants Bank	Beaver Dam	Ohio	May 6	10,000	6,000	68,000
Buckeye Com'l Savings Bank	Findlay	Ohio	May 6	400,000	122,000	4,500,000
District No. 5.						
Bank of Clinchburg	Clinchburg	Va.	Apr. 28	12,000	4,000	103,000
District No. 6.						
Planters State Bank	Pine Hill	Ala.	May 2	15,000	6,000	119,000
State Banking Co.	Gainesville,	Ga.	" 5	75,000	32,000	390,000
District No. 7.						
Farmers State Bank	Warsaw	Ill.	May 6	50,000	18,000	418,000
La Harpe State Bank	La Harpe	Ill.	" 3	25,000	26,000	413,000
Melrose State Bank	Melrose	Iowa	" 5	25,000	6,000	140,000
Peoples State Bank	Berne	Ind.	" 7	60,000	19,000	503,000
First State Svgs.Bk.	McCausland	Iowa	" 7	25,000	2,000	160,000
District No. 9.						
Citizens State Bank	Lansford	N.Dak.	May 7	20,000	1,000	120,000
District No. 10.						
Citizens State Bank	Blue Rapids,	Kans.	May 6	15,000	10,000	281,000
Bank of Denver	Denver	Mo.	" 7	10,000	6,000	105,000
Bank of Florence	Omaha	Nebr.	" 9	25,000	6,000	450,000
District No. 11.						
Bank of Bienville	Bienville	La.	May 7	15,000	14,000	135,000
		Closed Banks Reopened:				Date Open
District No. 7.						
Blackhawk State Bank	Blackhawk	Wis.	2-10-30	10,000	8,000	5- 3-30
District No. 5.						
Bank of St. Pauls	St. Pauls	N. C.	3- 6-30	50,000	30,000	4- 9-30
Bank of Wagram	Wagram	N. C.	2-15-30	15,000	4,000	4- 1-30
District No. 10.						
Citizens State Bank	Thedford	Nebr.	4- 1-30	15,000	2,000	5- 7-30

X-X-3962

BANKS REPORTED CLOSED
WEEK ENDED MAY 16, 1930

Member banks indicated by an asterisk (*).

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 4.						
Ohio State Bank	Washington Court House	Ohio	May 12	200,000	28,000	2,275,000
District No. 5.						
*National Loan & Exchange Bank	Greenwood	S. C.	May 15	100,000	20,000	1,250,000
American Bank	"	"	" 16	100,000	4,000	195,000
District No. 7.						
Weston Exchange Bank	Weston	Mich.	May 13	3,000	2,000	70,000
Farmers State Bank	Orion	Ill.	" 16	30,000	57,000	490,000
State Bank of Francesville		Ind.	" 16	25,000	25,000	355,000
District No. 8.						
Sullivan County Bank	Milan	Mo.	May 12	20,000	20,000	200,000
Bank of Wilton	Wilton	Ark.	" 12	5,000	9,000	48,000
Commercial Bank	Wellsville	Mo.	" 10	15,000	17,000	325,000
First Savings Bank & Trust Co.	Ittabena	Miss.	" 12	100,000	23,000	686,000
Farmers State Bank	Mendon	Ill.	" 14	25,000	10,000	198,000
District No. 9.						
Farmers Bank in	Leonard	N.Dak.	May 12	15,000	2,000	155,000
District No. 10.						
Wayside State Bank	Wayside	Kans.	May 12	10,000	4,000	140,000
Farmers State Bank	Vinita	Okla.	" 16	50,000	15,000	860,000

Closed Banks Reopened:

None.

X-3962

BANKS REPORTED CLOSED
WEEK ENDED MAY 23, 1930.

Member banks indicated by an asterisk (*).

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 6.						
Ninth Street Bank & Trust Co.	St.Petersburg	Fla.	May 23	200,000	213,000	1,368,000
District No. 7.						
Security Trust & Savings Bank	Fort Dodge	Iowa	May 19	75,000	26,000	645,300
Rice Savings Bank	Smithland	"	" 23	10,000	1,300	109,830
District No. 8.						
Bank of Ratcliff	Ratcliff	Ark.	May 21	15,000	8,000	99,000
District No. 10.						
Liberty State Bank	Liberty	Kans.	May 19	20,000	7,000	68,070
Tyro State Bank	Tyro	"	" 22	10,000	8,020	51,950

Closed Banks Reopened:

						Date open
District No. 10.						
Bank of Monroe	Monroe	Nebr.	10-23-29	24,000	3,000	5-19-30

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BANKS REPORTED CLOSED
WEEK ENDED MAY 29, 1930.

Member banks indicated by an asterisk (*).

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 4.						
Reynoldsburg Bank Co.	Reynoldsburg	Ohio	May 27	$ 25,000	$18,500	$ 241,000
District No. 5.						
Peoples Bank of Mize	Mize	Miss.	Apr. 3	10,000	2,000	100,000
D'Lo Guaranty Bank	D'Lo	Miss.	Apr. 4	15,000	32,500	425,000
District No. 7.						
Citizens State Bank	LaCrosse	Ind.	May 19	25,000	17,000	264,000
Tobacco Exchange Bank	Edgerton	Wis.	May 20	50,000	78,000	691,000
Corn Exchange Bank	New Richmond	Ind.	May 29	10,000	9,600	119,900
Campau Commercial Bank	Hamtramck	Mich.	May 14	- - -	3,030	82,490
District No. 8.						
LaGrange Bk & Trust Co.	LaGrange	Ky.	May 27	30,000	16,000	576,000
Peoples State Bank	Loraine	Ill.	May 16	20,000	7,000	225,000
Bank of Elkland	Elkland	Mo.	May 24	10,000	15,600	45,000
Citizens Bank	Knox City	Mo.	May 26	10,000	12,000	96,000
Citizens Bank	Warrenton	Mo.	May 29	30,000	21,000	534,000
District No. 9.						
Home Bank of Blair	Blair	Wis.	May 27	30,000	32,000	491,000
District No. 11.						
German American State Bank	Indiangap	Texas	May 28	20,000	1,900	70,000

Closed Banks Reopened:

						Date open
District No. 9.						
* Swift County Bank	Benson	Minn.	11-30-29	100,000	23,000	5-26-30.
District No. 10.						
Citizens State Bank	Clearwater	Nebr.	10-21-30	20,000	1,000	5-24-30.

X-3962

BANKS REPORTED CLOSED
WEEK ENDED JUNE 6, 1930.

Member banks indicated by an asterisk (*).

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 1.						
*First National Bank	Poultney	Vermont	May 31	$100,000	$115,700	$825,000
District No. 4.						
Commercial Bank	Middletown	Ohio	June 3	50,000	7,500	480,000
Citizens State Bank	Leipsic	Ohio	June 3	25,000	12,600	365,000
District No. 6.						
Farmers & Merchants Bank	Summerville	Ga.	May 31	25,000	3,000	326,000
Englewood State Bank	Englewood	Ga.	June 4	15,000	3,000	50,000
District No. 7.						
Bank of Linngrove	Linngrove	Ind.	June 3	10,000	5,900	104,500
Floris Savings Bank	Floris	Iowa	June 3	10,000	460	102,000
District No. 8.						
North Missouri Tr Co	Mexico	Mo.	June 4	150,000	57,000	835,000
District No. 9.						
State Bank	Ross	N. Dak.	June 4	10,000	3,800	76,000
District No. 11.						
Lohn State Bank	Lohn	Texas	June 3	30,000	15,000	168,000
Closed Banks Reopened:						
District No. 5.						
Bank of Faison	Faison	N. Car.	1-16-30	10,000	3,000	5-24-30
Bank of Marshville	Marshville	N. Car.	4-7-30	40,000	20,000	5-16-30
Peoples Bank	Sanford	N. Car.	4-5-30	25,000	10,000	5-31-30
District No. 7.						
River Park State Bank	South Bend	Ind.	4-28-30	50,000	11,000	5-26-30

X-3962

BANKS REPORTED CLOSED
WEEK ENDED JUNE 13, 1930.

Member banks indicated by an asterisk (*).

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 1.						
Merrimack River Svgs Bank	Manchester	N. H.	June 9	$ none	$904,420	$11,456,680
District No. 3.						
Vineland Trust Co.	Vineland	N. J.	June 11	100,000	147,050	2,127,890
District No. 4.						
Cosmopolitan Bk & Tr.Co.	Cincinnati	Ohio	June 10	350,000	274,870	9,864,020
*First National Bank	Bowerston	Ohio	June 11	25,000	12,500	not available
District No. 5.						
Farmers Bank	McCormick	S. C.	June 11	40,000	13,290	326,230
District No. 6.						
First Security Bank	St.Petersburg	Fla.	June 9	50,000	13,770	222,960
Bank of Terra Ceia	Terra Ceia	Fla.	June 7	15,000	10,730	126,070
Bank of Bay Biscayne	Miami	Fla.	June 11	1,000,000	1,214,270	12,732,240
Bank of Coral Gables	Coral Gables	Fla.	June 11	100,000	43,130	480,040
Miami Beach Bk & Tr Co.	Miami Beach	Fla.	June 11	150,000	38,050	1,380,220
Bank of Homestead	Homestead	Fla.	June 11	35,000	19,210	355,350
Guaranty Title & Tr Co.	Clearwater	Fla.	June 12	200,000	118,140	277,760
Bank of Clearwater	Clearwater	Fla.	June 12	250,000	186,800	1,419,630
District No. 7.						
Bank of F. W. Hubbard	Kilmanagh	Mich.	June 7	10,000	8,500	90,000
*Farmers National Bank	Strawn	Ill.	June 11	25,000	5,670	175,890
*First National Bank	Cheboygan	Mich.	June 11	50,000	76,890	1,229,480
District No. 8.						
Farmers Exchange Bank	Marshfield	Mo.	June 9	40,000	1,400	250,000
District No. 9.						
First State Bank	Sebeka	Minn.	June 9	10,000	3,000	165,000
Bank of Eleva	Eleva	Wis.	June 12	25,000	7,880	305,000
District No. 10.						
Bank of Albany	Albany	Mo.	June 9	20,000	11,300	155,000
Lebanon State Bank	Lebanon	Kans.	June 10	25,000	15,280	140,910
		Closed Banks Reopened:				Date Reopened
District No. 7.						
Clark County Bank	Loyal	Wisc.	1-16-30	25,000	9,000	6-9-30
District No. 10.						
Farmers & Merchants Bk	Elm Creek	Nebr.	1-7-30	25,000	5,000	6-12-30

X-3962

BANKS REPORTED CLOSED
WEEK ENDED JUNE 20, 1930.

Member banks indicated by an asterisk (*).

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 5.						
*First National Bank	Welch	W. Va.	June 20	$100,000	$183,000	$1,652,000
District No. 6.						
Lakeland State Bank & Trust Co.	Lakeland	Fla.	June 14	150,000	64,000	1,504,000
Biscayne Trust Co.	Miami	"	" 11	150,000	269,000	1,458,000
Bankers Trust Co.	St.Augustine,	Fla.	" 19	100,000	14,000	265,000
District No. 7.						
Illiana State Bank	State Line	Ill.	June 14	24,000	- -	141,000
Peoples Loan & Tr. Co.	Decatur	Ind.	" 16	50,000	15,000	520,000
Old Adams County Bank	Decatur	Ind.	" 13	120,000	31,000	1,150,000
Farmers & Merchants Bk	Bryant	Ind.	" 18	25,000	12,000	184,000
Citizens Bank	Union	Iowa	" 19	50,000	- -	400,000
Merchants & Mechanics Bank with 3 branches in Detroit.	Hamtramck	Mich.	" 19	10,000	65,000	2,030,000
State Bank of America	Hamtramck	Mich.	" 19	100,000	65,000	1,312,000
District No. 8.						
Bank of Russellville	Russellville,	Ky.	June 14	25,000	29,000	311,000
Bank of Aurora	Aurora	Mo.	" 16	50,000	14,000	1,192,000
District No. 9.						
Farmers State Bank	Fullerton	N.Dak.	June 13	25,000	3,000	79,000
Security State Bank	Hitterdal	Minn.	" 14	10,000	2,000	73,000
Merchants & Farmers State Bank	Fall Creek	Wis.	" 16	15,000	3,000	185,000
District No. 10.						
Spring River Bank	Larussell	Mo.	June 16	10,000	4,000	95,000
Arnold State Bank	Arnold	Nebr.	" 16	50,000	19,000	450,000
Security State Bank	Arnold	Nebr.	" 19	35,000	- -	158,000
District No. 12.						
Yuma Valley Bank	Yuma	Ariz.	June 20	200,000	52,000	1,750,000

Closed Banks Reopened: None.

BANKS REPORTED CLOSED
WEEK ENDED JUNE 27, 1930.

Member banks indicated by an asterisk (*).

Name of Bank	City	State	Date closed	Capital	Surplus & profits	Total deposits
District No. 1.						
*First National Bank in	Poultney	Vt.	June 20	$100,000	$115,000	$975,000
District No. 4.						
*Brotherhood of Railway Clerks National Bank	Cincinnati,	O.	June 26	400,000	149,000	4,188,000
District No. 5.						
Citizens Bank	War	W.Va.	June 21	50,000	17,000	216,000
*First National Bank	Iaeger	"	" 25	25,000	8,000	380,000
*First National Bank	Kimball	"	" 26	25,000	30,000	430,000
District No. 6.						
Bradford County Bank	Starke	Fla.	June 21	40,000	35,000	265,000
District No. 7.						
Fairbury Bank	Fairbury	Ill.	June 23	100,000	60,000	1,400,000
*New First Nat. Bank in	Farmland	Ind.	" 25	25,000	7,000	193,000
District No. 8.						
Peoples State Bank	Coatsville,	Mo.	June 24	10,000	- -	67,000
District No. 10.						
State Bank of Amber	Amber	Okla.	June 21	10,000	6,000	60,000
Ponca Valley State Bank	Monowi	Nebr.	" 27	15,000	3,000	109,000
District No. 11.						
Brownwood State Bank	Brownwood	Texas	June 26	50,000	10,000	231,000
Closed Banks Reopened:						**Date opened**
District No. 5.						
Citizens & Com'l Bank	Franklinton,	N.C.	4- 9-30	50,000	33,000	6-12-30
District No. 10.						
Brunswick State Bank	Brunswick	Nebr.	8-22-29	25,000	1,000	6-21-30
Bank of Florence	Omaha	"	5- 9-30	25,000	5,000	6-21-30

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6443

January 2, 1930.

SUBJECT: Liability Incurred by Member Bank in Purchasing Federal Reserve Exchange.

Dear Sir:

In a ruling published in the Federal Reserve Bulletin for September, 1928, at page 656, the Federal Reserve Board held that the liability incurred by a member bank through the issuance of its cashier's check for Federal reserve exchange purchased, should be treated as a liability for money borrowed rather than as a deposit liability. The facts of the transaction which were under consideration by the Board at that time were described as follows:

A member bank which is temporarily short in its reserves arranges with another member bank having a temporary excess in reserves for the use of a stipulated amount of Federal reserve credit, for one day or more, as may be agreed upon. The bank purchasing the credit either gives its cashier's check to the selling bank, to be held for one day or more, as the case may be, or, dispensing with the formality of issuing a cashier's check, authorizes the selling bank to clear a ticket for the amount through the clearing house settlement on the day agreed upon, and the selling bank either gives its draft on the Federal reserve bank to the buying bank or arranges with the Federal reserve bank to transfer on the Federal reserve bank's books the stipulated amount from the account of the selling bank to the account of the buying bank.

It now appears that, while Federal reserve exchange is frequently purchased and sold in accordance with the method above described, this practice is not universally followed and it often happens that a member bank purchases Federal reserve funds from another member bank through the method of book entries, wire transfers or otherwise. The question has been presented to the Board as to how such transactions should be regarded in cases where the purchase and sale of Federal reserve exchange is accomplished by some method other than that described in its 1928 ruling.

After considering this question the Board is of the opinion that all such transactions should be classified in accordance with the purpose to be effected and the principles involved rather than in accordance with the mechanics of their accomplishment. Transactions of this kind are manifestly temporary loans negotiated for the purpose of avoiding the necessity of rediscounting with the Federal reserve bank or showing a deficiency in reserves. The Board rules, therefore, that in every such transaction whether effected by check, book entries, wire transfers or otherwise, and regardless of the method of repayment, the purchasing member bank should show its resulting liability to the selling member bank as money borrowed and the selling member bank should treat the transaction as a loan made. In using the Board's Form 105 for report of condition, the purchasing member bank should show the liability incurred in any such transaction under "bills payable and rediscounts" and the selling member bank should enter the amount of the transaction under "loans and discounts".

Very truly yours,

R. A. Young,
Governor.

TO ALL GOVERNORS AND FEDERAL RESERVE AGENTS.

X-6463

C O P Y

IN THE SUPREME COURT OF FLORIDA,

JUNE TERM, A. D. 1929.

DIVISION B.

G. L. EDWARDS, As Receiver Of Suwanee River Bank, a Corporation,

Appellant,

vs

W. B. LEWIS, trading as Jasper Grocery Company,

Appellee

: Hamilton County.

DAVIS, Commissioner.

The appellee (complainant in the court below) filed his amended bill of complaint against the appellant and alleged in substance that he was the holder and owner of certain checks drawn on the Suwanee River Bank; that such checks were by him "deposited in the Commercial Bank of Jasper" after being indorsed by him; that they were forwarded by the Commercial Bank of Jasper for collection and remittance to the Barnett National Bank of Jacksonville; that the Barnett National Bank forwarded them for collection directly to the said Suwanee River Bank, which said bank charged to the accounts respectively of the drawers of the said checks, they having sufficient credit balances on deposit to pay them; that the said Suwanee River Bank had at the time of receiving said checks sufficient funds available to pay all of them and continued to have every day thereafter until the bank closed sufficient funds "so available"; that the Suwanee River Bank forwarded to the Barnett National Bank its check drawn on the Atlantic National Bank of Jacksonville in sums sufficient to cover, and for the purpose of paying the proceeds from the

collection of the several checks deposited by the complainant with the Commercial Bank of Jasper, as well as for other items that might have been due the Barnett National Bank by the said Suwanee River Bank; that the checks so deposited by him had been delivered by the Suwanee River Bank to the respective drawers of the same marked paid by it; that the checks drawn by the Suwanee River Bank upon the Atlantic National Bank and forwarded to the Barnett National Bank were not paid when presented, or at any time thereafter; that the Suwanee River Bank suspended business and was insolvent at the time of making such collections; that at the time the Suwanee River Bank suspended business, it had in its possession, custody and control cash items in excess of amount of complainant's deposit; that a receiver was appointed to take charge of the assets of the Suwanee River Bank; that after the Suwanee River Bank suspended business, the Barnett National Bank charged to the account of the Commercial Bank of Jasper the amounts of the checks deposited by the complainant; that the checks deposited by him were never returned to the complainant; that he made demand upon the said Receiver for the payment of the aggregate amount of the said checks so deposited by him as a preferred claim payable before unsecured claims against the Suwanee River Bank were paid, which claim, though admitted by the Receiver as a just claim, was denied and refused to be considered as a preferred claim; that it was the custom and understanding between the Commercial Bank of Jasper and the Barnett National Bank, and between the said Barnett National Bank and the Suwanee River Bank, at the time the said checks were forwarded to the Suwanee River Bank for collection, that the said Suwanee River Bank should remit to the Barnett National Bank as the agent of the Commercial Bank of Jasper, the

amount of money collected each day and the day the same was collected; that there was no understanding between the said Barnett National Bank and the Suwanee River Bank that the Barnett National Bank should give any credit or allow the said Suwanee River Bank any latitude in the time of remitting for said checks sent for collection; that the Barnett National Bank kept no account with the Suwanee River Bank and had no credit balance with it; that there were no reciprocal or mutual accounts of any kind between the said Barnett National Bank and the Suwanee River Bank; that the assets held by the said Receiver were impressed with a trust in favor of the complainant, and that he is entitled to have his claim against the Receiver allowed as a preferred claim.

The defendant demurrer to the bill on the grounds:

1. That it does not appear from the bill of complaint that the complainant is able to trace or locate any trust fund.

2. That no agency is shown to exist between the complainant and the Suwanee River Bank.

3. That it appears from the Bill of Complaint that the checks mentioned therein were sent to the Suwanee River Bank through more than one bank by the complainant in the usual course of business and without any special instructions relative to the collection and remittance of the proceeds thereof.

4. That it appears from the allegations of the said Bill of Complaint that the Complainant is a general and not a preferred creditor of the Suwanee River Bank.

5. That it appears from the allegations of said bill of complaint that the proceeds of the checks mentioned therein become commingled and

unseparated from the funds of the Suwanee River Bank, and passed with such funds to the defendant, as Receiver of said Bank.

6. That it appears from the allegations of said Bill of Complaint that the title to the checks mentioned therein and the proceeds thereof, passed to the Suwanee River Bank, and that the relation, principal and agent has ended.

7. That it appears from the allegations of said bill of complaint that it was intended that the Suwanee River Bank make collection of the checks mentioned therein, place the proceeds of such collection in its own funds, and thereafter remit the proceeds thereof in the usual course of business.

8. That it appears from the allegations of the bill of complaint that the complainant did not select the Suwanee River Bank as its collecting agency in and about the making of collection of said checks.

9. That it appears from the allegations of said bill of complaint that the Suwanee River Bank was selected to collect the checks mentioned therein by another bank.

10. That it appears from the allegations of said bill of complaint that the complainant used the Commercial Bank of Jasper, Florida as his collecting agent in and about collecting proceeds of such checks mentioned therein, and that the Commercial Bank of Jasper, Florida, in the usual and ordinary course of business forwarded such checks to the Barnett National Bank of Jacksonville, Florida, for collection, and that the said Barnett National Bank used the Suwanee River Bank as its collecting agent for such items, and was authorized to collect and mingle funds coming from such collection with its own funds and thereafter remit to the Barnett National Bank

and not to the complainant.

11. That the said bill of complaint fails to show facts that raise the relation of the Suwanee River Bank from creditor of the complainant to that of Trustee.

12. That the said bill of complaint fails to show that the fund arising from the collection of the checks mentioned therein can be traced and located in the assets of the Suwannee River Bank.

13. That said bill of complaint shows that it was usual and customary for the Barnett National Bank, mentioned therein, to forward to Suwannee River Bank items for collection at White Springs, Florida, which usage and custom included the checks mentioned in the bill, and that such Suwannee River Bank, by usage and custom, would mingle the proceeds of such items with its own funds and remit to Barnett National Bank all of such proceeds of such items, which mingling and usage and custom, shows that no trust or fiduciary relation ever existed between the Suwannee River Bank and the complainant.

14. That such bill of complaint shows that the Barnett National Bank, mentioned therein, had no right to preference in regard to the subject matter of the bill for the reason that it occupied no trust relation to the complainant.

15. That the bill of complaint fails to state any relation between the Complainant and the Suwannee River Bank through the Commercial Bank and the Barnett National Bank, both of which are mentioned therein.

16. That the fact that the Barnett National Bank, mentioned in such bill of complaint, did not allow the Suwannee River Bank any time or latitude in remitting collections made by the latter bank for the former bank,

did not create any trust relation between the complainant and the Suwannee River Bank.

17. That the fact that the Barnett National Bank kept no account with the Suwannee River Bank did not create any trust relation between the complainant and the Suwanee River Bank.

18. That the collection of the checks mentioned in the bill of complaint by the Suwannee River Bank from its customers, out of their accounts, did not appreciate, enhance or augment the funds coming into the bank by reason of said transaction.

19. That said bill fails to show that any of the funds and credits of the Suwannee River Bank on hand at the time it closed arose from the transaction mentioned therein.

20. That said bill fails to trace any of the funds arising from the checks mentioned therein into the hands of the Suwannee River Bank at the time it closed.

21. That it is not shown by said bill that the monies and credit of the Suwannee River Bank on hand at the time it closed consisted of the funds arising from the checks mentioned thereon.

22. That it is now shown by said bill that the monies and credits of the Suwannee River Bank on hand when it closed were enhanced or enlarged by the proceeds of the checks mentioned therein or by either or any of such checks.

23. That said bill shows that there were other like transactions after the transaction set up therein, which would be preferred if the complainant's claim was preferred, and does not show sufficient money on hand to pay all of such transactions as preferred claims."

This demurrer was overruled and from that order defendant appealled.

The first question which we should determine is, "What relationship was created between the complainant and the Commercial Bank of Jasper, when the complainant indorsed and deposited with the bank the checks mentioned in this bill." If the checks became the property of the bank and the relation of debtor and creditor was created between the bank and the complainant, as contended by appellant, the bill can not be sustained, and the complainant should be relegated to his remedy at law against the Commercial Bank of Jasper, or its agent, the Barnett National Bank of Jacksonville.

The ordinary relation existing between a bank and its customers is simply that of debtor and creditor at common law (1 Morse on Banks and Banking, 5th Ed. p. 540; Bank v. Millard, 10 Wall. 152, 19 L. Ed. 897; Engel v. O'Malley, 219 U. S. 128, 55 L. Ed. 128; Camp v. First Nat. Bank, 44 Fla. 497, 33 So. 241; Miami vs. Shutte, 59 Fla. 462, 51 So. 929), and that is the law in this State at the present time, when the deposit consists of money.

In Brown vs Peoples B. for S. of St. Augustine, 59 Fla. 163, 52 So. 719, in a well considered opinion by Mr. Justice Whitfield, it was held in substance that where a check payable in another city was indorsed in blank and deposited with a bank to be credited to the depositor, receipt of the check by the bank prima facie carried title to the bank, and the relation of debtor and creditor was established between the depositor and the bank by the deposit. By such an indorsement and delivery of the check the depositor engaged that on due presentation the check would be paid,

and if not honored, and the necessary proceedings on such dishonor be duly taken he would pay the amount to the holder, and this obligation was discharged when the check was paid. Furthermore, that the bank of deposit selected its own agent to collect the debt for it, and if after payment of the check a loss resulted the depositor was not liable for such loss. But the legislature in 1909 enacted a law that has been brought forward in Section 6834, Compiled General Laws of Fla., as follows:

> "When a check, draft, note or other negotiable instrument is deposited in a bank for credit, or for collection it shall be considered due diligence on the part of the bank in the collection of any check, draft, note or other negotiable instrument so deposited, to forward en route the same without delay in the usual commercial way in use according to the regular course of business of banks, and the maker, indorser, guarantor or surety of any check, draft, note or other negotiable instrument so deposited, shall be liable to the bank until actual final payment is received, and when a bank receives for collection any check, draft, note or other negotiable instrument and forwards the same for collection as herein provided, it shall only be liable after actual final payment is received by it, except in case of want of due diligence on its part as aforesaid."

The legislation was referred to in the Brown Bank case supra, but did not affect it because, the statute was enacted after the institution of the action. As stated in the case just referred to, this statute "was manifestly designed to change the existing rule." In the case of Montsdoca v. The Highland Bank & Trust Co., 83 Fla. 158, 95 So. 666, this Court in an opinion prepared by Mr. Justice Whitfield, stated that the statute above quoted "makes the bank in which a check is deposited for deposit or collection liable only 'after final payment is received by it' unless it is negligent in its duty 'according to the regular course of business of banks'" and that the "statute controls, and the decision in Brown vs. Peoples Bank for Savings of St. Augustine, 59 Fla. 163, 52 So. Rep. 719, 52 L. R. A. (N.S.)

608, is not applicable." In other words, the statute has changed the rule so that now the relationship of the depositor of commercial paper with his bank of deposit, even though the deposit is not for collection, is in the nature of principal and agent, until such paper has been collected and payment actually received by the bank, in which event, the depositor becomes the creditor of his bank, the debtor.

The proceeds of the checks not having been actually received by the Commercial Bank of Jasper, the relationship of debtor and creditor, as a result of the alleged deposit, did not come into being.

It, therefore, becomes necessary for us to determine whether the Suwannee River Bank after charging the said checks to the respective accounts of the drawers of same, held such funds as Trustee for the complainant.

In Federal Reserve Bank of Richmond vs Malloy, reported in 264 U. S. 160, 68 L. Ed. 617, Malloy Bros. of Quitman, Ga. brought an action against the bank to recover the amount of a check drawn to their order upon the Bank of Lumber Bridge, N. C. The check was indorsed by the payees and deposited with the Perry Banking Company of Perry, Fla., for collection and credit. The check was indorsed and transmitted by the Perry Banking Company to a bank in Jacksonville, which, in turn, indorsed and transmitted it on account of the Atlanta Federal Reserve Bank to a bank in Atlanta, Ga., and by the latter bank it was sent for collection to the Federal Reserve Bank of Richmond. The Richmond bank sent it with other checks to the Lumber Bridge Bank (drawer's bank) for collection and return. The Lumber Bridge Bank, in due course, stamped it "PAID" and charged it to the account of the drawer and on the same day transmitted to the bank at Richmond its draft on a bank in

Greensboro, N. C. for the amount of the checks including the one in question. The Draft was received by the Richmond bank and was immediately sent to the Greensboro Bank for payment and the same was not honored because of insufficient funds to the credit of the Lumber Bridge Bank. These facts are recited because of their similarity to the facts in the instant case. The Supreme Court of the United States had before it the Florida Statute quoted above and held: "This Statute had the effect of imparting the 'Massachusetts rule' into the contract, with the result that the initial bank had implied authority to entrust the collection of the check to a sub-agent and that sub-agent, in turn, to another". In those states in which the so-called "Massachusetts rule" has been followed, the courts have held that the initial bank by the mere fact of deposit for collection, is authorized to employ sub-agents of the owner, who become directly responsible to him for their default. Federal Reserve Bank of Richmond v. Malloy, 264 U. S. 160, 68 L. Ed. 617; 3 R. C. L. 622, 251.

In Atlantic National Bank of Jacksonville v Pratt, Receiver, 95 Fla. 822, 116 So. 635, this court committed itself to the rule that where one bank sends items for collection and remittance to another bank, and the collecting bank makes collection from other banks or persons, and remits to forwarding bank checks of collecting bank on other banks for the amount collected, but such checks are not paid in due course because of the failure of the collecting bank after making the collection and after remitting its checks therefor, but before the checks of the collecting bank are paid and there was no commingling of funds by consent and no reciprocal accounts or deposits between the two banks, collecting bank having an account with a balance to its credit with forwarding bank, but forwarding bank having

no account with collecting bank, forwarding bank is entitled to a preference in payment by the Receiver of collecting bank for the collections made.

The Atlantic National Bank - Pratt case was followed in Tunnicliffe as Receiver, vs Citizens Nat. Bank & Tr. Co., 118 So. 319, 96 Fla. 544.

Applying the rule stated in the Pratt case, any bank receiving the checks of the complainant for collection and remittance under the implied authority given to the Commercial Bank of Jasper when the deposit was made, held them as Agent and in trust for the Complainant, and when the collections were made, the sums so collected were impressed with a trust in favor of the Complainant.

Certainly, there is no reason why this rule may not be invoked by an individual who transmits through banks for collection and remittance commercial paper owned by him, as well as by a bank that transmits such paper for such purpose, whether for itself as owner or as agent for someone else.

The fact that the checks transmitted by the Barnett National Bank to the Suwannee River Bank were drawn upon the latter did not change the status of such bank as an agent for collection and remittance, and that being true a trust relationship exists. Federal Reserve Bank of Richmond vs Peters, 139 Va. 45, 123 S. E. 379, 42 A. L. R. 742; Bank of Poplar Bluff vs Millspaugh (MO) 275 S. W. 579, 281 S. W. 733, 47 A. L. R. 754; State Nat. Bank vs First Nat. Bank (Ark) 187 S. W. 673; Goodyear Tire & Rubber Co. vs Hanover State Bank, 109 Kan. 772, 21 A. L. R. 677, 204 Pac. 992; Messinger vs Carroll Tr & Sav. Bank, 193 Iowa 608, 187 N. W. 545; State vs Bank of Commerce, 61 Neb. 181. 52 L. R. A. 858; Kinney vs Paine, 68 Miss.

258, 8 So. 747.

This is not the rule in a number of states but the reasoning of the court in Federal Reserve Bank vs Peters, supra, and also in Bank vs Millspaugh, 281 S. W. 733, 47 A. L. R. 754, Federal Reserve Bank of Richmond vs Malloy, supra, and the other cases cited, appeal to us as being sound. For decisions pro and con see notes in 42 A. L. R. 754, 24 A. L. R. 1152 and 47 A. L. R. 761.

The mingling of trust money with that of the Trustee does not defeat the owner's title because there is no way to identify money. This court does not agree to a contention that a commingling of the proceeds of the checks with the funds of the Suwannee River Bank altered the position of Complainant. Such mingling of funds extended the trust to all the funds of the bank. Federal Reserve Bank vs Peters, and other citations supra. See also Glidden vs Gutelius, 119 So. Rep. 140.

The allegations of the bill that are well pleaded being admitted by the demurrer, and being of the opinion that it states a case for equitable relief, the demurrer was properly overruled and the order of the lower court should be affirmed, with directions that it proceed in accordance with the views herein expressed.

PER CURIAM.

The record in this cause having been considered by the Court, and the foregoing opinion prepared under Chapter 14553, Acts of 1929, adopted by the Court as its Opinion, it is considered, ordered and adjudged by the Court that the order of the Court below should be, and the same is hereby affirmed, with directions for appropriate proceedings.

TERRELL, C.J. WHITFIELD, ELLIS, STRUM, BROWN AND BUFORD, JJ., concur.

FEDERAL RESERVE BOARD

COMMITTEE APPOINTMENTS EFFECTIVE JANUARY 1, 1930.

EXECUTIVE:
Mr. Young, Chairman,
Mr. Platt
Mr. Hamlin 1st quarter
Mr. Miller 2nd "
Mr. James 3rd "
Mr. Cunningham 4th "

LAW:
Mr. Hamlin, Chairman,
Mr. Platt

EXAMINATIONS:
Mr. Platt, Chairman,
Mr. Cunningham

RESEARCH AND STATISTICS:
Mr. Miller, Chairman,
Mr. Cunningham

SALARIES AND EXPENDITURES OF FEDERAL RESERVE BANKS:
Mr. James, Chairman,
Mr. Platt

DISTRICT COMMITTEES:

Boston:
Mr. Hamlin, Chairman,
Mr. Platt

New York:
Mr. Platt, Chairman,
Mr. Young

Philadelphia:
Mr. Miller, Chairman,
Mr. Platt

Cleveland:
Mr. Pole, Chairman,
Mr. Hamlin

Richmond:
Mr. Hamlin, Chairman,
Mr. Cunningham

Atlanta:
Mr. James, Chairman,
Mr. Pole

Chicago:
Mr. Cunningham, Chairman,
Mr. Miller

St. Louis:
Mr. James, Chairman,
Mr. Hamlin

Minneapolis:
Mr. Cunningham, Chairman,
Mr. Miller

Kansas City:
Mr. Cunningham, Chairman,
Mr. Young

Dallas:
Mr. Platt, Chairman,
Mr. James

San Francisco:
Mr. Miller, Chairman,
Mr. James

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6465

January 3, 1930.

SUBJECT: State Member Banks Not Examined During the Past Year.

Dear Sir:

This is to request that you furnish the Federal Reserve Board, as soon as possible, with a list of State member banks in your District, if any, which were not examined during the year 1929 either by the State authorities or your own examining force.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

TO ALL FEDERAL RESERVE AGENTS.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6468

January 4, 1930.

SUBJECT: Capital Stock Holdings of Member Banks.

Dear Sir:

In order that the records of the Board and those of the Federal reserve banks may be checked as regards the capital stock holdings of member banks, it is requested that in submitting your certificates of increase and decrease of capital stock for the past six months, you furnish a list of your member banks showing the number of shares held by each as of close of business December 31, 1929.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO ALL F. R. AGENTS.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6472

January 8, 1930.

SUBJECT: H. R. 7966

Dear Sir:

By direction of the Board, I am enclosing herewith copy of H. R. 7966, which has been introduced in the House of Representatives by Chairman McFadden, of the Committee on Banking and Currency, and which is self-explanatory.

The Board would appreciate receiving at an early date your comments on the various provisions of the bill. We will be glad to furnish you with a limited number of extra copies of the bill, if desired.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

To all Governors and Chairmen. (No extra copies)

X-6475

STATEMENT OF BUREAU OF ENGRAVING AND PRINTING

Federal Reserve Notes, Series 1928

December 2 to 31, 1929.

	$5	$10	$20	$50	$100	Total sheets	Amount
Boston	150,000	200,000	50,000	8,000	-	408,000	$36,516.00
New York	100,000	100,000	-	10,000	10,000	220,000	19,690.00
Philadelphia . . .	40,000	40,000	-	-	-	80,000	7,160.00
Richmond	50,000	50,000	-	-	-	100,000	8,950.00
Chicago	-	200,000	-	20,000	6,000	226,000	20,227.00
St. Louis	100,000	50,000	-	-	-	150,000	13,425.00
Minneapolis. . . .	50,000	-	-	-	-	50,000	4,475.00
Kansas City. . . .	50,000	50,000	-	-	-	100,000	8,950.00
	540,000	690,000	50,000	38,000	16,000	1,334,000	$119,393.00

1,334,000 sheets, $89.50 per M, ... $119,393.00

Credit appropriations, 1930, as follows:

Compensation of Employees,	B. E. & P.	$62,964.80
Plate Printing,	B. E. & P.	27,186.92
Mtls. & Misc. Expenses,	B. E. & P.	29,241.28

Bureau of Engraving and Printing:

(Signed) C. R. Long
Assistant Director.

FEDERAL RESERVE BOARD

WASHINGTON

X-6476

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

January 15, 1930.

Dear Sir:

There is enclosed herewith statement in the amount of $7,682.87, submitted by Honorable Newton D. Baker, covering his fee and expenses in connection with the trial before the United States Circuit Court of Appeals, of the case of Frank G. Raichle v. Federal Reserve Bank of New York. This statement has been approved by the Federal Reserve Board and the Directors of the Federal Reserve Bank of New York and has been paid by the New York Bank.

Mr. Baker's services in this case were authorized as a System matter and it is, therefore, requested that each Federal reserve bank remit to the Federal Reserve Bank of New York its pro rata share of the expense (based on capital and surplus as of December 31, 1929) as follows:

Boston	$ 571.92
New York	2,526.63
Philadelphia	744.98
Cleveland	767.98
Richmond	318.50
Atlanta	278.58
Chicago	1,031.00
St. Louis	276.93
Minneapolis	175.54
Kansas City	230.67
Dallas	229.64
San Francisco	530.50
Total	$7,682.87

By direction of the Federal Reserve Board.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

Enclosure.

TO GOVERNORS OF ALL F. R. BANKS EXCEPT NEW YORK.

COPY X-6476-a

BAKER, HOSTETLER & SIDLO
Counsellors at Law
Union Trust Building
Cleveland

Federal Reserve Bank of New York,

New York City January 4, 1930.

1929			
Feb. 22 to Aug. 12, inclusive	To Professional Services in the matter of Federal Reserve Bank of New York vs. Frank G. Raichle in the United States Circuit Court of Appeals - -		$7,500.00
	Disbursements:		
May 14	Printing 50 copies of Brief for Respondent	$103.71	
15-16	Expenses (Mr. Baker) trip to New York	77.95	
	Two telegrams	1.21	182.87
			$7,682.87

X-6477

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

Washington, D. C. January 15, 1930.
For release at 3:00 P.M.

The Federal Reserve Board announces that the Federal Reserve Bank of Philadelphia has established a rediscount rate of 4 1/2% on all classes of paper of all maturities, effective January 16, 1930.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6478

January 15, 1930.

Dear Sir:

There is attached hereto copy of a letter being addressed to one of the Federal reserve agents, ruling that a member bank is not entitled to subscribe for additional Federal reserve bank stock on account of an increase in its capital, unless the amount of Federal reserve bank stock which it holds at the time is less than six per cent of its combined capital and surplus.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

TO ALL FEDERAL RESERVE AGENTS EXCEPT BOSTON

Enclosure.

COPY X-6478-a

January 15, 1930.

Dear Sir:

Receipt is acknowledged of your letter of December 23rd, with reference to the amount of Federal reserve bank stock to which the may be entitled to subscribe on account of an increase of its capital. It appears that, as a result of certain consolidations by the with other banks, this bank holds Federal reserve bank stock issued upon the basis of surplus accounts which have since been reduced without the surrender of a corresponding amount of Federal reserve bank stock. The capital of the has now been increased and this bank desires to subscribe for additional Federal reserve bank stock on account of such increase without any reduction on account of the reductions of surplus which have taken place. It further appears that the amount of Federal reserve bank stock now held by this bank is at least equal to 6% of its present capital and surplus. You inquire whether the is entitled to subscribe for additional Federal reserve bank stock on account of the increase in its capital without taking into account the reductions which have been made in its surplus.

You are advised that, under these circumstances, the is not entitled to subscribe for any additional Federal reserve bank stock on account of the increase in its capital. In other words, a member bank is not entitled to subscribe for additional Federal reserve bank stock on account of an increase in its capital unless the amount of Federal reserve bank stock which it holds at the time is less than 6% of its combined capital and surplus. This principle should be applied to any similar cases which come to your attention.

By Order of the Federal Reserve Board.

Yours very truly,

E. M. McClelland,
Assistant Secretary.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6481

January 17, 1930.

SUBJECT: Holidays during February, 1930.

Dear Sir:

On Wednesday, February 12th, Lincoln's birthday, there will be neither Gold Fund nor Federal reserve note clearing, and the books of the Board will be closed. For your information, the offices of the Board and the following Federal reserve banks and branches will be open for business on that day:

Boston	Atlanta	St. Louis
	New Orleans	Little Rock
Richmond	Birmingham	
Baltimore	Jacksonville	Kansas City
Charlotte	Havana Agency	Oklahoma City

On Saturday, February 22nd, Washington's birthday, the offices of the Board and all Federal reserve banks and branches will be closed.

On Monday, February 24th, the Havana Agency of the Federal Reserve Bank of Atlanta will be closed in observance of the Anniversary of the Revolution of Bairi.

Please notify branches.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6484

January 23, 1930.

SUBJECT: Open Market Procedure.

Dear Sir:

This letter invites the attention of your bank to changes which the Federal Reserve Board, after prolonged consideration of the matter, has concluded should be made in the existing procedure governing open market operations.

It may be recalled that it was in April, 1923, that the present procedure with regard to open market operations was adopted. In the preceding year many of the reserve banks, in order to maintain portfolios of earning assets, entered the market on their own separate accounts to purchase United States Government securities, without much regard to the effects of their operations on the market for Government securities or on credit conditions. It was found necessary, in consequence, to give to open market operations a status which recognized their credit effects and economic consequences and also their effects on the position of each Federal reserve bank.

A copy of the Board's resolution containing an outline of the procedure adopted in 1923 is herewith enclosed. Under this procedure the principle governing open market operations was defined and its application and practice left to a Committee consisting of five reserve banks acting under the general supervision of the Federal Reserve Board.

The principle was stated as follows:

> "That the time, manner, character and volume of open market investments purchased by Federal reserve banks be governed with primary regard to the accommodation of commerce and business, and to the effect of such purchases or sales on the general credit situation."

The five banks constituting the Open Market Investment Committee were the following:

Federal Reserve Bank of Boston
Federal Reserve Bank of New York
Federal Reserve Bank of Philadelphia
Federal Reserve Bank of Cleveland
Federal Reserve Bank of Chicago.

Although the necessity of giving to open market operations a System status was recognized in 1923, it was not then foreseen how much use would be made of the open market operation as an instrument of Federal reserve credit policy. As a matter of fact, frequent resort has been taken to open market operations - either by purchase or sale of United States Government securities - as a mode of policy in the five years following the 1923 arrangements.

The experience of this period shows that the open market operation, when involving other than trifling amounts, may be of first-rate importance in altering credit conditions even when viewed on a national scale.

It is not surprising, therefore, that suggestions should have been made that the System character of open market operations should be fully recognized by having all twelve Federal reserve banks, instead of five as at present, represented in the shaping of open market policy. Views to this effect have been expressed informally by reserve banks not included in the existing set-up, and formally by the Federal Advisory Council in the following recommendation adopted in September, 1928:

> "The Federal Advisory Council without any intention of criticising the present arrangements but in order that all governors of the Federal reserve banks may participate in the discussions leading up to actions of the Open Market Committee suggests to the Federal Reserve Board to consider the advisability of having the membership of the Open Market Committee consist of all the governors of the Federal reserve banks with an executive committee composed of five members with full power to act."

For the reasons briefly set forth above, the Board has drawn up a revision of the 1923 open market procedure, which embodies a fuller recognition of the joint interest and responsibility of the Federal reserve banks and the Federal Reserve Board in the matter of open market policy. The elements of this procedure are contained in a memorandum adopted by the Federal Reserve Board reading as follows:

"(1) The Open Market Investment Committee, as at present constituted, to be discontinued and a new committee, to be known as the Open Market Policy Conference, to be set up in its place.

(2) Each Federal reserve bank to be represented on the Open Market Policy Conference.

(3) The Conference to meet with the Federal Reserve Board at such times as may be arranged by or with the Board.

(4) The function of the Open Market Policy Conference to be to consider, develop and recommend plans with regard to the purchase or sale of securities in the open market.

(5) The time, character and volume of such purchases and sales to be governed with the view of accommodating commerce and business and with regard to their bearing upon the credit situation.

(6) The conclusions and/or recommendations of the Open Market Policy Conference to be submitted to each of the Federal reserve banks and to the Federal Reserve Board for consideration and/or action.

(7) A committee to be known as the Open Market Executive Committee to be constituted for the purpose of executing such purchases and sales of securities as have been approved by Federal reserve banks and the Federal Reserve Board."

Such further working arrangements as may be found necessary to make the above outlined plan operative will, in the opinion of the Board, best be determined by the Conference itself when it is organized.

The Board believes that the above procedure contains the essentials of a workable plan designed to give expression to the common interest of the Federal reserve banks in matters of open market policy and to provide a reasonable and practicable method for joint action. After your bank has had time to consider the plan, the Board will welcome an expression of your views.

By order of the Federal Reserve Board.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

TO CHAIRMEN OF ALL F. R. BANKS.

X-4586

RESOLUTIONS APPROVED BY FEDERAL RESERVE BOARD AT MEETING ON MARCH 22, 1923.

"Whereas the Federal Reserve Board, under the powers given it in Sections 13 and 14 of the Federal Reserve Act, has authority to limit and otherwise determine the securities and investments purchased by Federal reserve banks;

Whereas the Federal Reserve Board has never prescribed any limitation upon open market purchases by Federal reserve banks;

Whereas the amount, time, character, and manner of such purchases may exercise an important influence upon the money market;

Whereas an open market investment policy for the twelve banks composing the Federal reserve system is necessary in the interest of the maintenance of a good relationship between the discount and purchase operations of the Federal reserve banks and the general money market;

Whereas heavy investments in United States securities, particularly short-dated certificate issues, have occasioned embarrassment to the Treasury in ascertaining the true condition of the money and investment markets from time to time,

THEREFORE, Be It Resolved, That the Federal Reserve Board, in the exercise of its powers under the Federal Reserve Act, lay down and adopt the following principles with respect to open market investment operations of the Federal reserve banks, to-wit;

(1) That the time, manner, character, and volume of open market investments purchased by Federal reserve banks be governed with primary regard to the accommodation of commerce and business and to the effect of such purchases or sales on the general credit situation.

(2) That in making the selection of open market purchases, careful regard be always given to the bearing of purchases of United States Government securities, especially the short-dated issues, upon the market for such securities, and that open market purchases be primarily commercial investments, except that Treasury certificates be dealt in, as at present, under so-called "Repurchase" agreement.

Be It Further Resolved, That on and after April 1, 1923, the present Committee of Governors on Centralized Execution of Purchases and Sales of Government Securities be discontinued, and be superseded by a new committee known as the Open Market Investment Committee for the Federal Reserve System, said Committee to consist of five representatives from the reserve banks and to be under the general supervision of the Federal Reserve Board; and that it be the duty of this Committee to devise and recommend plans for the purchase, sale and distribution of the open market purchases of the Federal reserve banks in accordance with the above principles and such regulations as may from time to time be laid down by the Federal Reserve Board."

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6485

January 25, 1930.

SUBJECT: Expense, Main Line, Leased Wire System, December, 1929.

Dear Sir:

Enclosed herewith you will find two mimeograph statements, X-6485-a and X-6485-b, covering in detail operations of the main line, Leased Wire System, during the month of December, 1929.

Please credit the amount payable by your bank in the general account, Treasurer, U. S., on your books, and issue C/D Form 1, National Banks, for account of "Salaries and Expenses, Federal Reserve Board, Special Fund", Leased Wire System, sending duplicate C/D to the Federal Reserve Board.

Very truly yours,

Fiscal Agent.

Enclosures.

TO GOVERNORS OF ALL F. R. BANKS EXCEPT CHICAGO.

REPORT SHOWING CLASSIFICATION AND NUMBER OF WORDS TRANSMITTED OVER MAIN LINE OF THE FEDERAL RESERVE LEASED WIRE SYSTEM FOR THE MONTH OF DECEMBER, 1929.

X-6485-a

From	Business reported by banks	Words sent by New York chargeable to other F. R. Banks (1)	Net Federal Reserve Bank business	Percent of total bank business(*)
Boston	30,422	2,119	32,541	3.26
New York	173,469	-	173,469	17.38
Philadelphia	37,309	1,905	39,214	3.93
Cleveland	90,672	2,599	93,271	9.35
Richmond	61,776	2,660	64,436	6.46
Atlanta	65,554	5,824	71,378	7.15
Chicago	119,114	3,226	122,340	12.26
St. Louis	79,075	3,153	82,228	8.24
Minneapolis	36,076	2,903	38,979	3.90
Kansas City	81,285	1,428	82,713	8.29
Dallas	75,971	11,223	87,194	8.74
San Francisco	106,521	3,667	110,188	11.04
Total	957,244	40,707	997,951	100.00

F. R. Board business	257,601	1,255,552
Treasury Department business - Incoming and outgoing		345,273
Total words transmitted over main lines		1,600,825

(*) These percentages used in calculating the pro rata share of leased wire expense as shown on the accompanying statement (X-6485-b)

(1) Number of words sent by New York to other F. R. Banks for their sole benefit charged to banks indicated in accordance with action taken at Governors' Conference November 2 - 4, 1925.

REPORT OF EXPENSE MAIN LINE
FEDERAL RESERVE LEASED WIRE SYSTEM, DECEMBER, 1929.

X-6485-b

Name of Bank	Operators' Salaries	Operators' Overtime	Wire Rental	Total Expenses	Pro Rata Share of Total Expenses	Credits	Payable to Federal Reserve Board
Boston	$ 260.00	$ -	$ -	$ 260.00	$ 599.54	$ 260.00	$ 339.54
New York	1,004.62	-	-	1,004.62	3,196.29	1,004.62	2,191.67
Philadelphia	225.00	-	-	225.00	722.75	225.00	497.75
Cleveland	306.66	-	-	306.66	1,719.52	306.66	1,412.86
Richmond	190.00	-	230.00(&)	420.00	1,188.04	420.00	768.04
Atlanta	270.00	-	-	270.00	1,314.93	270.00	1,044.93
Chicago	4,045.47 (#)	4.00	-	4,049.47	2,254.69	4,049.47	1,794.78 (*)
St. Louis	205.00	8.00	-	213.00	1,515.39	213.00	1,302.39
Minneapolis	183.66	-	-	183.66	717.24	183.66	533.58
Kansas City	287.50	-	-	287.50	1,524.58	287.50	1,237.08
Dallas	251.00	1.50	-	252.50	1,607.34	252.50	1,354.84
San Francisco	380.00	-	-	380.00	2,030.33	380.00	1,650.33
Federal Reserve Board	-	-	15,595.59	15,595.59	-	-	-
Total	$7,608.91	$ 13.50	$15,825.59	$23,448.00	$18,390.64	$7,852.41	$12,333.01
				5,057.36 (a)			1,794.78 (b)
				$18,390.64			$10,538.23

(&) Main line rental, Richmond-Washington.
(#) Includes salaries of Washington operators.
(*) Credit.
(a) Received $5,057.36 from Treasury Department covering business for the month of December, 1929.
(b) Amount reimbursable to Chicago.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6487

January 28, 1930.

SUBJECT: Branches of National Banks.

Dear Sir:

There is attached hereto, for your information, copy of an opinion recently rendered by the Attorney General, with regard to the branches which may be maintained by a national bank formed as a result of a conversion of a State bank or of a consolidation between a State and a national bank.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

Enclosure.

TO THE CHAIRMEN AND GOVERNORS OF ALL F. R. BANKS.

DEPARTMENT OF JUSTICE,

Washington.

December 23, 1929.

Sir:

I have the honor to reply to your letter of August 6, 1929, wherein you state that the Comptroller of the Currency has before him the application of a State bank, operating in a town of slightly under one hundred thousand population, to convert into a national bank, and that said State bank is now operating three branches, one of which was established subsequent to the passage of the Act of February 25, 1927, known as the "McFadden Act". You request to be advised (a) whether the branch established subsequent to February 25, 1927, must be discontinued upon conversion of the State bank into a national bank; and (b) whether the Comptroller of the Currency is authorized, after conversion of the State bank, to grant two new branches to the national bank established by such conversion, such new branches being in addition to those retained upon conversion.

Section 7 of the Act of February 25, 1927, c. 191, 44 Stat. 1228, amends Section 5155 of the Revised Statutes (Title 12, Sec. 36 U. S. C.) to read in part as follows:

(b) If a State bank is hereafter converted into or consolidated with a national banking association, or if two or more national banking associations are consolidated, such converted or consolidated association may, with respect to any of such banks, retain and operate any of their branches which may have been in lawful operation by any bank at the date of the approval of the Act.

(c) A national banking association may, after the date of the approval of this Act, establish and operate new branches within the limits of the city, town, or village in which said association is situated if such establishment and operation are at the time permitted to State banks by the law of the State in question.

(d) No branch shall be established after the date of the approval of this Act within the limits of any city, town or village of which the population by the last decennial census was less than twenty-five thousand. No more than one such branch may be thus established where the population, so determined, of such municipal unit does not exceed fifty thousand; and not more than two such branches where the population does not exceed one hundred thousand. In any such municipal unit where the population exceeds one hundred thousand the determination of the number of branches shall be within the discretion of the Comptroller of the Currency.

(e) No branch of any national banking association shall be established or moved from one location to another without first obtaining the consent and approval of the Comptroller of the Currency.

Paragraph (b) provides in effect that upon the conversion of a State bank into a national banking association, the banking association resulting from the conversion may retain any branches which the converted bank may have had in lawful operation on February 25, 1927. This provision is permissive in character, and the inference is plain that any branch or branches established or acquired subsequent to February 25, 1927, by the converting bank

must be relinquished upon conversion.

After conversion into a national banking association the converted bank comes within the provisions of paragraphs (c), (d) and (e) of section 7 of said Act. Paragraph (c) permits national banking associations to establish branches, subsequent to February 25, 1927, within the limits of the city or town in which the parent bank is located, if the State laws permit the establishment of such branches by State banks, subject, however, to the conditions contained in paragraphs (d) and (e). Such conditions are that no national banking association shall establish more than two such branches where the population of the city or town in which the bank is located exceeds fifty thousand and does not exceed one hundred thousand; and that the establishment of the branch or branches is with the consent and approval of the Comptroller of the Currency.

It follows, therefore, that when a State bank, converting into a national banking association, has received its charter as a national banking association (it being located within a city the population of which is more than fifty thousand and less than one hundred thousand) it may apply for, and with the consent and approval of the Comptroller of the Currency establish not more than two branches within the limits of the city where said bank is located, provided that the law of the State permits the establishment of such branches by State banks.

The branches it may be authorized to establish under paragraphs (c) and (d) are in addition to those retained under paragraph (b). In the case you submit, the two branches established by the State bank

prior to February 25, 1927, and which it has the right to retain on the conversion into a national banking association, are located in the city where the main bank is situated. The result of this construction of the statute is that this converted bank may add two new branches, making four in all in the city, although a new national bank could establish and maintain only two. Such an inequality is produced, not by the mere conversion, but by action after conversion, and there may be doubt as to whether the Congress intended such a result, but the terms of the statute seem to justify this construction. However, Congress must have had in mind the safeguard contained in paragraph (e), which requires the consent and approval of the Comptroller of the Currency to the establishment of new branches.

Congress has used the word "established" in paragraph (d) and has refrained from using the word "maintain". If it intended that old branches retained upon conversion should be counted in determining the number of new branches to be allowed under paragraph (d), appropriate words should have been added to paragraph (d). Furthermore, branches in other cities previously established and retained upon conversion, could not be counted to reduce the number of new branches in the city in which the parent bank is located, allowed under paragraph (d), without placing a converted bank at a disadvantage in respect of the number of branches allowed in the city of its location. It is apparent that to derive from the statute an implication that the number of branches retained on

conversion shall restrict the number of new ones allowed under paragraph (b) would not remove inequalities in powers between converted banks and new national banking associations. The resulting conclusion is that the statute should be taken literally.

In the case submitted it may be that the Comptroller of the Currency would approve an application by the national bank resulting from the conversion to establish as one of the new branches permitted by paragraph (c) the very branch which the State bank would be required to relinquish upon conversion. If such be the case, I see no objection to the Comptroller of the Currency so indicating in advance, in order that an application to that end might be made by the resulting national bank, and approved, substantially simultaneously with the conversion. If this were done the temporary cessation of business at the branch attendant upon its formal relinquishment would not result in any practical inconvenience.

In the second case submitted you state that there is now pending before the Comptroller of the Currency the application of a State bank, having two branches in lawful operation prior to February 25, 1927, to consolidate with a national banking association, having two branches authorized by the Comptroller of the Currency under the provisions of paragraph (c) of section 7 of said Act. You state that both of the banks are located in a city the population of which is slightly less than one hundred thousand, and that their application for consolidation provides

for the retention of all four branches by the consolidated bank. You request to be advised whether the Comptroller of the Currency is authorized to approve the retention of the four branches by the consolidated bank.

Section 1 of the Act of February 25, 1927, supra, amended the Act of November 7, 1918, by adding thereto a new section (section 3) which provides for the consolidation of State banks with national banking associations as follows:

> Sec. 3. That any Bank incorporated under the laws of any State, or any bank incorporated in the District of Columbia, may be consolidated with a national banking association located in the same county, city, town, or village under the charter of such national banking association on such terms and conditions as may be lawfully agreed upon by a majority of the board of directors of each association or bank proposing to consolidate,***

Paragraph (b) of section 7 of the Act of February 25, 1927, supra, provides that if a State bank, having branches established prior to February 25, 1927, is consolidated with a national banking association the consolidated association may retain such branches. Paragraph (c) of said Act provides that a national banking association may, after February 25, 1927, establish branches within the limits of a city or town in which said association is located. This permission is subject to the conditions provided in paragraphs (d) and (e).

It appears from the statement of facts that the national banking association with which the State bank proposes to consolidate has availed itself of the foregoing provision and, with the approval of the Comptroller of the Currency, has established

two branches as provided by the statute. As the State bank upon consolidation with the national banking association will cease to exist; its branches, established prior to February 25, 1927, will become the branches of the consolidated bank.

The provisions and implied limitation contained in paragraph (b) of section 7 of the Act apply to the consolidation of a State bank with a national banking association to the same extent and with equal force as they apply to the conversion of a State bank into a national banking association; namely, that "any of their branches which may have been in lawful operation by any bank at the date of the approval of the Act" may be retained by the consolidated bank, and any branches established by either of the consolidating banks subsequent to the date of the approval of the Act must be relinquished, notwithstanding the branches of the national banking association were established pursuant to the authority contained in paragraph (c), and with the consent and approval of the Comptroller of the Currency. This is the plain import of the language of the statute, and there is nothing contained in the Act which justifies a departure from its exact terms.

When the proposed consolidation has been consummated, the consolidated bank may apply for and, with the consent and approval of the Comptroller of the Currency, establish not more than two branches within the limits of the city where said bank is located, provided the law of the State permits the establishment of branches by State banks.

As the national bank involved in the consolidation preserves its corporate identity and existence, I see no objection to its filing an application for leave to establish two new branches simultaneously with the filing of application for approval of the consolidation, so that if the Comptroller approves, there may be avoided the useless formality of first relinquishing and then immediately reestablishing the branches which were subject to relinquishment under paragraph (b).

Respectfully,

(Signed) William D. Mitchell.

Attorney General.

The Honorable,

The Secretary of the Treasury.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6489

January 31, 1930.

Dear Sir:

Reference is made to the discussion of the question of member bank reserves which took place at the conclusion of the meeting of the Open Market Policy Conference on January 29th.

On the question of an amendment to the Board's regulations to permit the calculation of reserves as at the close of business the previous day, it was understood that each governor would furnish the Board with an expression of his views as to just what benefits it is expected member banks would derive from such an amendment. Early advice of your views on this point would be appreciated.

The discussion regarding the personnel of the committee, recommended by the recent conferences of governors and Federal reserve agents, to make a thorough study of the entire question of member bank reserves resulted in the conclusion that the committee should be appointed, on behalf of the Federal reserve banks, by the Chairman of the Governors' Conference, and it was agreed that any expenses of the committee should be paid by the Federal reserve banks. Should the services of any members of the Board's staff be desired on the committee, the necessary arrangements will be made by the Board. This matter will undoubtedly be taken up with you by Governor Calkins at an early date.

Very truly yours,

R. A. Young,
Governor.

TO GOVERNORS OF ALL F. R. BANKS EXCEPT SAN FRANCISCO.

COPY

X-6490

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Feb. 1, 1930

To Mr. Hamlin

From Mr. Wyatt - General Counsel.

SUBJECT: Proposed Legislation which the Board may wish to consider in connection with its Annual Report.

Under date of January 2, 1930, I addressed a memorandum to the Law Committee submitting material prepared by this Office for the forthcoming Annual Report of the Federal Reserve Board. As stated in that memorandum, this Office was unable to prepare any recommendation regarding proposed legislation; because the Board has not yet taken any action indicating what legislation, if any, it desires to recommend to Congress.

At your request I submitted a memorandum on January 4th regarding proposed legislation which might be considered by the Board in connection with its forthcoming Annual Report. I now submit this revised draft of that memorandum, in order to bring the information up to date.

AMENDMENTS SPECIFICALLY RECOMMENDED TO CONGRESS DURING 1929 AND COVERING WHICH BILLS HAVE BEEN INTRODUCED IN CONGRESS.

(1) An amendment to Section 9 of the Federal Reserve Act to permit State member banks to establish foreign branches. - This amendment was recommended to Congress by the Board in its Annual Reports for the years 1927 and 1928, and in letters addressed to the Chairmen of the Banking and Currency Committees during 1929. Accordingly, a bill conforming to the Board's views was introduced in the Senate by Senator Norbeck on December 11, 1929 (S. 2605 - 71st Cong., 2nd Session) and was reported out without amendment on December 18, 1929 by the Senate Banking and Currency Committee. No further action thereon has been taken in the Senate and no similar bill has been introduced in the House.

(2) An amendment to Sections 6 and 9 of the Federal Reserve Act permitting the cancellation of Federal reserve bank stock held by member banks which have gone out of business without a receiver or liquidating agent having been appointed therefor. - The enactment of such legislation was recommended by the Board in its Annual Reports for the years 1927 and 1928, and in letters addressed to the Chairmen of the Banking and Currency Committees under date of December 2, 1929. This legislation was introduced in the House on December 5, 1929 (H. R. 6604 - 71st Cong., 2nd Session), and in substantially the same form in the Senate on December 14, 1929 (S. 2666), and on December 20, the Senate bill was reported out without amendment by the Senate Banking and Currency Committee. H. R. 6604 was reported out favorably by the House on January 23, 1930, and I understand that this bill is on the House Calendar for February 5, 1930.

(3) An amendment making it discretionary with the Federal Reserve Board to assess the costs of examining State member banks against the bank examined. - The Board recommended the enactment of a bill of this kind in its 1927 and 1928 Annual Reports, and in letters addressed to the Chairmen of the Banking and Currency Committees during the year

1929. In the last Congress a bill for this purpose passed the Senate (S. 5349 - 70th Congress) but was not reported out by the House Banking and Currency Committee. Similar bills were introduced in the House but were never reported out. In the present Congress a bill was introduced in the Senate (S. 485 - 71st Cong., 1st Session) but it has not yet been reported out.

(4) An amendment to Section 9 of the Federal Reserve Act authorizing the Federal Reserve Board to waive the six months' notice of the intended withdrawal of a State member bank from the Federal Reserve System. - This amendment was recommended to Congress by the Board in its Annual Report for the year 1928, and in letters addressed to the Chairmen of the Banking and Currency Committees under date of April 16, 1929. On April 18, 1929, the Board voted to defer taking any action regarding this amendment and nothing further has been done by the Board since that date. Bills to amend the law in conformity with the Board's recommendations were introduced in the House and Senate during the present Congress (H. R. 2027 and S. 684 - 1st Session, 71st Cong.); and S. 684 was reported out without amendment on December 18, 1929. At the request of the Banking and Currency Committee of the House, H. R. 2027 was revised slightly by inserting a provision to the effect that the Board could waive the six months' notice requirement subject to such conditions as the Board might prescribe. The revised draft was submitted to Mr. McFadden by Governor Young under date of January 13, 1930, was introduced by him as H. R. 8877 on January 20, and was reported out favorably by the House Banking and Currency Committee on January 23, 1930. I understand that it is on the House Calendar for February 5, 1930.

AMENDMENTS RECOMMENDED IN 1927 and 1928 ANNUAL REPORTS.

(5) An amendment to Section 4 of the Federal Reserve Act to permit an officer, director or employee of a mutual savings bank to serve as Class B or Class C director of a Federal Reserve Bank. - This amendment was recommended to Congress by the Board in its Annual Reports for the years 1927 and 1928. On April 18, 1929, the Board voted to defer taking any action on this proposal and no further recommendation has been made since that date.

(6) An amendment exempting Federal Reserve Banks from attachment or garnishment proceedings before final judgment in any case or proceeding. - This amendment was recommended by the Board in its Annual Reports for the years 1927 and 1928. On April 18, 1929, the Board voted to defer taking any further action on this proposal and no further recommendation has been made since that date.

(7) An amendment to the Judicial Code restoring to the United States District Courts jurisdiction of suits by and against Federal Reserve Banks. - In its Annual Reports for the years 1927 and 1928 the Board recommended the enactment of an amendment of this kind. On April 18, 1929, the Board voted to defer taking any further action in connection with this proposal and no further recommendation has been made since that date.

(8) An amendment to Section 13 of the Federal Reserve Act increasing from fifteen to ninety days the maximum maturity of advances made by Federal Reserve Banks to member banks on their promissory notes secured by paper eligible for rediscount by Federal Reserve Banks. - An amendment of this kind has been recommended to Congress by the Board in its Annual Reports for the years 1927 and 1928. In the 70th Congress a bill (H.R. 12349) was introduced on March 23, 1928, and under date of April 24, 1928, the Board addressed a letter to Congress in which it said that it was in sympathy with the general purposes of the bill. However, this bill was not reported out and no similar bill has since been introduced. On April 18, 1929, the Board voted to defer taking any further action on this amendment and no further recommendation has been made since that date.

OTHER AMENDMENTS CONSIDERED BY THE BOARD IN 1929.

In addition to the above, the Board has considered the following proposed amendments but has taken no definite action thereon in view of the position taken at the Board meeting of April 18, 1929, that action on such amendments should be deferred:

(9) An amendment to the first paragraph of Section 19 of the Federal Reserve Act more clearly defining demand deposits, time deposits, savings deposits, etc., and making it more difficult to evade the proper classification of deposits for the purpose of computing reserves. The Agents' and Governors' Conferences of December 1929, recommended that the matter of reserves be submitted to a special committee for study and recommendation.

(10) An amendment to Section 19 of the Federal Reserve Act authorizing member banks in computing their reserves to deduct "balances due from banks" from their gross demand deposits instead of from "balances due to other banks." The Agents' and Governors' Conferences of December 1929, recommended that the matter of reserves be submitted to a special committee for study and recommendation.

(11) A complete revision of Section 19 adjusting, clarifying and simplifying the reserve requirements. The Agents' and Governors' Conferences of December 1929, recommended that this matter be submitted to a special committee for study and recommendation.

(12) An amendment requiring the approval of the Federal Reserve Board before charters are granted to new national banks.

(13) An amendment to Section 9 of the Federal Reserve Act requiring all State banks heretofore or hereafter admitted to membership in the System to comply at all times with the banking law of the States in which they are located.

AMENDMENTS RECOMMENDED BY DECEMBER, 1929

AGENTS' AND GOVERNORS' CONFERENCES.

In addition to the above, the following amendments recommended by the December, 1929, Agents' and Governors' Conferences may be worthy of consideration at this time:

(14) Amendment to the Bankruptcy Act providing that funds in the custody of the Federal Courts shall be deposited with member banks. - The Governors' Conference approved of an amendment of this kind, but the Board has not made any recommendation to Congress. A bill (S. 2950) was introduced in the Senate on January 6, 1930, however, providing that member banks of the Federal reserve system may be designated depositories of bankruptcy funds.

(15) Amendment to the National Bank Act limiting the amount of investment by a national bank in bank building and fixtures. - The Agents' Conference reported that an amendment of this kind is desirable.

(16) Amendment to Section 4 of the Federal Reserve Act to clarify the meaning of the phrase "electors voting" in that part of the section providing the method of counting ballots in elections of Federal Reserve Bank directors. - The Agents' and Governors' Conferences recommended such an amendment.

(17) Amendment to the Federal Reserve Act providing for a different distribution of earnings of Federal Reserve Banks to member banks and the Government and for the retirement of national bank notes. - The Agents' and Governors' Conferences favored the enactment of an amendment providing a more liberal distribution of Federal Reserve Bank earnings in the way of dividends.

In the 70th Congress, 2nd Session, a bill was introduced by Senator Glass on February 6, 1929 (S. 5723) to amend Section 7 of the Federal Reserve Act so as to provide for a more liberal distribution of the earnings of Federal Reserve Banks, and to amend Section 18 so as to provide for the retirement of national bank notes. With regard to the enactment of this bill, the Secretary of the Treasury addressed a letter to Congress stating that he was not inclined to favor legislation of this kind. The Board considered this letter before it was mailed and advised the Secretary that "while certain members of the Board are not necessarily opposed to the general idea of the amendment to Section 7, * * * they see no objection to transmittal of the attached letter, as written, as an expression of the views of the Secretary of the Treasury." The bill introduced by Senator Glass was never reported out by the Senate Banking and Currency Committee.

OTHER PROPOSED AMENDMENTS.

The Board may also wish to consider the following proposed amendments:

(18) An amendment to Section 9 of the Federal Reserve Act and Section 5240 of the Revised Statutes regarding examinations of member banks. - This amendment provides, among other things, that all examinations of member banks shall be under the jurisdiction of the Comptroller of the Currency, and that the expense of such examinations shall be paid by the Federal Reserve Board out of the proceeds of assessments levied against the Federal Reserve Banks, instead of being paid by the banks examined.

This amendment was prepared at the request of Governor Young and was submitted for the consideration of the Conference of Federal Reserve Agents in December, 1929, which recommended that the Board decline to give its approval to this proposed measure. Apparently the Board has taken no action on this recommendation.

(19) An amendment to the fourth paragraph of Section 13 of the Federal Reserve Act making the limitations prescribed by that paragraph conform to Section 5200 of the Revised Statutes, as amended by the McFadden Act. - A provision to amend the law in this way was contained in the McFadden Bill when it was pending in Congress but it was stricken out of the bill by the Senate. At the time this provision was pending in the McFadden Bill it was approved by the Federal Reserve Board along with a number of other provisions and Congress was so advised. (See X-4500). The amendment was then considered by the Conference of Governors in April, 1928, and a resolution asking the Board to urge the enactment of such an amendment was defeated. On April 18, 1929, the Board voted to defer taking any action on the proposal; but on October 18, 1929, the Board addressed a letter to Congressman Hudspeth, in reply to a letter asking for the Board's views on an amendment of this character, in which it was stated that the Board has not receded from its earlier position approving of such an amendment.

On December 18, 1929, as a result of a conference between this office and Mr. Thompson, from Congressman McFadden's office, there was prepared by this office a letter addressed to Congressman McFadden, enclosing a proposed draft of an amendment to amend the law as set out above. On January 13, 1930, Governor Young submitted this letter and proposed draft of amendment to Mr. McFadden; and on January 15, this draft was also submitted to Senator Sheppard by Governor Young. On January 23, Mr. McFadden introduced this draft in the House as H. R. 9046, but it has not yet been reported out or introduced in the Senate.

(20) An amendment to Section 22(a) of the Federal Reserve Act making it clear that the prohibition against examiners accepting loans and gratuities from member banks applies to State examiners. - Under date of November 13, 1929, I addressed a memorandum to the Board calling attention to the fact that a United States District Court had held that this provision of Section 22-(a) does not apply to State examiners. I recommended that the Board suggest to the Attorney General that it would be in the public interest not to accept

this decision as a correct interpretation of the law and that it would be advisable to appeal either this case or some other case where the record may be more favorable to the Supreme Court of the United States, with a view of having this decision reversed or overruled. I also recommended that the Board request the Attorney General to advise it if he is not inclined to adopt the above suggestion, in order that the Board may consider the advisability of recommending to Congress an amendment removing any doubt as to the applicability of this provision to State bank examiners. I also submitted a proposed letter to the Attorney General along this line, which was approved at the Board meeting on November 26th; but apparently neither this letter nor any similar letter has yet been sent to the Attorney General. Under these circumstances, the Board may desire to consider the advisability of recommending to Congress an amendment to Section 22(a) removing any doubt as to the applicability of that section to State bank examiners.

(21) An amendment to make the robbery or burglary of a member bank a Federal offense punishable through the Federal courts. - Under date of January 13, 1930, Mr. George J. Schaller, President of the Citizens First National Bank of Storm Lake, Iowa, and Class A director of the Federal Reserve Bank of Chicago, addressed a letter to Mr. Cunningham suggesting that it would help and strengthen the banking situation and would make friends for the Federal Reserve System, if the Federal Government would undertake the apprehension and prosecution in the Federal courts of all persons who commit crimes against national banks and State member banks of the Federal Reserve System and particularly such crimes as hold-ups and robberies. Mr. Cunningham has transmitted this letter to the Law Committee with a suggestion that the Board should recommend in its Annual Report an amendment making it a Federal offense punishable through the Federal courts to burglarize or rob any member bank. I understand that the Law Committee has reported favorably on this suggestion, but that the Board has not yet taken action on it.

Respectfully,

Walter Wyatt,
General Counsel.

WW: sad - vdb

DISTRICT NO. 1 X-6492

FEDERAL RESERVE BANK OF BOSTON

OFFICERS AND DIRECTORS, 1930

OFFICERS

W. P. G. Harding, Governor
W. W. Paddock, Deputy Governor
Wm. Willett, Cashier
K. K. Carrick, Secretary
Frederic H. Curtiss, Chairman of the Board and Federal Reserve Agent
Allen Hollis, Deputy Chairman of the Board
C. F. Gettemy, Assistant Federal Reserve Agent
H. F. Currier, Auditor

E. G. Hult, Assistant Cashier
E. M. Leavitt, Assistant Cashier
L. W. Sweetser, Assistant Cashier

DIRECTORS

		Term Expires Dec. 31
Class A:		
Edward S. Kennard	V.P. & Cashier, Rumford Nat'l.Bank, Rumford, Me.	1930
Frederick S. Chamberlain	Pres., New Britain Nat'l.Bank, New Britain, Conn.	1931
Alfred L. Ripley	Chrm., The Merchants Nat'l.Bank, Boston, Mass.	1932
Class B:		
A. F. Bemis	Chrm., Bemis Bros. Bag Company, Boston, Mass.	1930
Albert C. Bowman	Pres., The John T. Slack Corp., Springfield, Vt.	1931
Philip R. Allen	Pres., Bird & Son, Inc., E. Walpole, Mass.	1932
Class C:		
Allen Hollis	Lawyer, Concord, N. H.	1930
Chas. H. Manchester	Pres., Providence Gas Co., Providence, R. I.	1931
Frederic H. Curtiss	Boston, Mass.	1932

MEMBER FEDERAL ADVISORY COUNCIL

Herbert K. Hallett

COUNSEL

A. H. Weed

DISTRICT NO. 2

FEDERAL RESERVE BANK OF NEW YORK

OFFICERS AND DIRECTORS, 1930

OFFICERS

George L. Harrison, Governor
L. F. Sailer, Deputy Governor
E. R. Kenzel, Deputy Governor
L. R. Rounds, Deputy Governor
A. W. Gilbart, Deputy Governor
J. E. Crane, Deputy Governor
Walter S. Logan, Deputy Governor & Gen. Counsel
R. M. Gidney, Asst. Deputy Governor
J. W. Jones, Asst. Deputy Governor
W. B. Matteson, Asst. Deputy Governor
C. H. Coe, Asst. Deputy Governor
J. M. Rice, Asst. Deputy Governor
Allan Sproul, Asst. Deputy Governor & Sec'y.

J. H. Case, Chairman of the Board and Federal Reserve Agent
Owen D. Young, Deputy Chairman of the Board
W. R. Burgess, Assistant Federal Reserve Agent
W. H. Dillistin, Assistant Federal Reserve Agent
H. S. Downs, Assistant Federal Reserve Agent
Carl Snyder, General Statistician
E. L. Dodge, General Auditor

D. H. Barrows, Manager,
E. C. French, Manager
R. F. McMurray, Manager
J. A. Mitchell, Manager
R. M. Morgan, Manager

H.V. Roelse, Mgr. & Asst. Sec'y.
W. A. Scott, Manager
I. W. Waters, Manager
W. W. Burt, Manager

DIRECTORS

		Term Expires Dec. 31
Class A:		
Delmer Runkle	Chrm., Peoples Nat'l. Bank, Hoosick Falls, N. Y.	1930
Chas E. Mitchell	Chrm., Nat'l. City Bank, New York, N. Y.	1931
Thos. W. Stephens	Pres., The Bank of Montclair, Montclair, N. J.	1932
Class B:		
Samuel W. Reyburn	Pres., Lord & Taylor, New York, N. Y.	1930
Wm. H. Woodin	Pres., Amer. Car & Foundry Co., New York, N. Y.	1931
Theodore F. Whitmarsh	Chrm., Francis H. Leggett & Co., New York, N. Y.	1932
Class C:		
Clarence M. Woolley	Chrm., Amer. Radiator & Stand. Sanitary Corp., Greenwich, Conn.	1930
J. H. Case	New York, N. Y.	1931
Owen D. Young	Chrm., General Electric Co., New York, N. Y.	1932

MEMBER FEDERAL ADVISORY COUNCIL

William C. Potter

GENERAL COUNSEL

Walter S. Logan

DISTRICT NO. 3

FEDERAL RESERVE BANK OF PHILADELPHIA

OFFICERS AND DIRECTORS, 1930

OFFICERS

Geo. W. Norris, Governor

William H. Hutt, Deputy Governor

C. A. McIlhenny, Cashier and Secretary

Richard L. Austin, Chairman of the Board and Federal Reserve Agent

Alba B. Johnson, Deputy Chairman of the Board

Arthur E. Post, Assistant Federal Reserve Agent

Ernest C. Hill, Assistant Federal Reserve Agent

J. F. Rehfuss, Acting Asst. Federal Reserve Agent

William G. McCreedy, Comptroller

W. J. Davis, Assistant Cashier
James M. Toy, Assistant Cashier
R. M. Miller, Jr., Assistant Cashier
F. W. LaBold, Assistant Cashier
S. R. Earl, Assistant Cashier

DIRECTORS

		Term Expires Dec. 31
Class A:		
George W. Reily	Pres., Harrisburg Nat'l.Bank, Harrisburg, Pa.	1930
John C. Cosgrove	Banker and Coal Operator, Johnstown, Pa	1931
Joseph Wayne, Jr.	Pres., Phila. Nat'l.Bank, Philadelphia, Pa.	1932
Class B:		
Arthur C. Dorrance	Gen. Mgr., Campbell Soup Co., Camden, N. J.	1930
C. F. C. Stout	John R. Evans & Co., Philadelphia, Pa.	1931
Arthur W. Sewall	Pres., Gen'l. Asphalt Co., Philadelphia, Pa.	1932
Class C:		
Alba B. Johnson	Chrm., Southwark Foundry & Mach. Co., Philadelphia, Pa.	1930
Harry L. Cannon	Farmer and Packer, Bridgeville, Delaware	1931
Richard L. Austin	Philadelphia, Pa.	1932

MEMBER FEDERAL ADVISORY COUNCIL

Levi L. Rue

COUNSEL

Williams and Sinkler

DISTRICT NO. 4

FEDERAL RESERVE BANK OF CLEVELAND

OFFICERS AND DIRECTORS, 1930

OFFICERS

E. R. Fancher, Governor
M. J. Fleming, Deputy Governor
F. J. Zurlinden, Deputy Governor
H. F. Strater, Cashier and Secretary

Geo. DeCamp, Chairman of the Board and Federal Reserve Agent
L. B. Williams, Deputy Chairman of the Board
J. B. Anderson, Assistant Federal Reserve Agent
W. H. Fletcher, Assistant Federal Reserve Agent
F. V. Grayson, Auditor

C. W. Arnold, Assistant Cashier
C. L. Bickford, Assistant Cashier
D. B. Clouser, Assistant Cashier
W. F. Taylor, Assistant Cashier
G. H. Wagner, Assistant Cashier

DIRECTORS

		Term Expires Dec. 31
Class A:		
O. N. Sams	Pres., Merchants Nat'l.Bank, Hillsboro, Ohio	1930
Chess Lamberton	V.P., Lamberton Nat'l.Bank, Franklin, Pa.	1931
Robert Wardrop	Chrm., First Nat'l.Bank, Pittsburgh, Pa.	1932
Class B:		
S. P. Bush	Manufacturer, Columbus, Ohio	1930
R. P. Wright	Reed Manufacturing Co., Erie, Pa.	1931
Geo. D. Crabbs	Pres., Philip Carey Mfg. Co., Cincinnati, Ohio	1932
Class C:		
W. W. Knight	V.P., Bostwick-Braun Co., Toledo, Ohio	1930
L. B. Williams	Hayden, Miller & Co., Cleveland, Ohio	1931
George DeCamp	Cleveland, Ohio	1932

MEMBER FEDERAL ADVISORY COUNCIL

Harris Creech

COUNSEL

Squire, Sanders & Dempsey

DISTRICT NO. 5

FEDERAL RESERVE BANK OF RICHMOND

OFFICERS AND DIRECTORS, 1930

OFFICERS

George J. Seay, Governor
C. A. Peple, Deputy Governor
R. H. Broaddus, Deputy Governor
J. S. Walden, Jr., Controller
G. H. Keesee, Cashier
A. S. Johnstone, Manager
J. T. Garrett, Manager

Wm. W. Hoxton, Chairman of the Board and Federal Reserve Agent
Frederic A. Delano, Deputy Chairman of the Board
J. G. Fry, Assistant Federal Reserve Agent
R. L. Shepherd, Acting Assistant Federal Reserve Agent
T. F. Epes, Auditor

W. W. Dillard, Assistant Cashier
Edward Waller, Jr., Assistant Cashier

DIRECTORS

		Term Expires Dec. 31
Class A:		
Chas. E. Rieman	Pres., Western Nat'l.Bank, Baltimore, Md.	1930
Jas. C. Braswell	Pres., Planters Nat'l.Bank, Rocky Mount, N. C.	1931
L. E. Johnson	Pres., First Nat'l.Bank, Alderson, W. Va.	1932
Class B:		
J. P. Fishburn	Pres., Times-World Corporation, Roanoke, Va.	1930
Edwin C. Graham	Pres., Nat'l. Elec. Supply Co., Washington, D. C.	1931
D. R. Coker	Merchant, Hartsville, S. C.	1932
Class C:		
Frederic A. Delano	Receiver, Washington, D. C.	1930
Robert Lassiter	Textiles, Charlotte, N. C.	1931
Wm. W. Hoxton	Richmond, Va.	1932

MEMBER FEDERAL ADVISORY COUNCIL

John Poole

COUNSEL

M. G. Wallace

DISTRICT NO. 6

FEDERAL RESERVE BANK OF ATLANTA

OFFICERS AND DIRECTORS, 1930

OFFICERS

E. R. Black, Governor

Hugh Foster, Deputy Governor

Creed Taylor, Deputy Governor

M. W. Bell, Cashier

Oscar Newton, Chairman of the Board and Federal Reserve Agent

W. H. Kettig, Deputy Chairman of the Board

Ward Albertson, Assistant Federal Reserve Agent and Secretary

W. S. Johns, General Auditor

J. W. Honour, Assistant Auditor

R. A. Sims, Assistant Cashier
H. F. Conniff, Assistant Cashier
V. K. Bowman, Assistant Cashier
C. R. Camp, Assistant Cashier
P. L. T. Beavers, Assistant Cashier
S. P. Schuessler, Assistant Cashier
L. M. Clark, Assistant Cashier

DIRECTORS

		Term Expires Dec. 31
Class A:		
H. Lane Young	V. P., Citizens & So. Nat'l.Bank, Atlanta, Ga.	1930
E. C. Melvin	Pres., Selma Nat'l.Bank, Selma, Alabama	1931
G. G. Ware	Pres., First Nat'l. Bank, Leesburg, Florida	1932
Class B:		
J. A. McCrary	Pres., J. B. McCrary Co., Decatur, Ga.	1930
Luke Lea	Publisher, Nashville, Tennessee	1931
Leon C. Simon	Manufacturer and Wholesaler, New Orleans, La.	1932
Class C:		
Geo. S. Harris	Pres., Exposition Cotton Mills, Atlanta, Ga.	1930
W. H. Kettig	Southern Rep., Crane Co., Birmingham, Ala.	1931
Oscar Newton	Atlanta, Georgia.	1932

MEMBER FEDERAL ADVISORY COUNCIL

J. P. Butler, Jr.

COUNSEL

Randolph, Parker & Fortson

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FEDERAL RESERVE BANK OF CHICAGO

OFFICERS AND DIRECTORS, 1930

OFFICERS

J. B. McDougal, Governor
J. H. Blair, Deputy Governor
C. R. McKay, Deputy Governor

William A. Heath, Chairman of the Board and Federal Reserve Agent
James Simpson, Deputy Chairman of the Board
W. H. White, Assistant Federal Reserve Agent and Secretary
C. S. Young, Assistant Federal Reserve Agent
H. G. Pett, Manager, R. & S.
F. R. Burgess, Auditor
W. A. Hopkins, Assistant Auditor

W. C. Bachman, Controller
K. C. Childs, Controller
J. H. Dillard, Controller
D. A. Jones, Controller
O. J. Netterstrom, Controller
A. L. Olson, Asst. Controller & Asst. Sec'y.

F. Bateman, Manager
J. C. Callahan, Manager
R. E. Coulter, Manager
A. W. Dazey, Manager
J. G. Roberts, Manager,
E. A. Delaney, Manager
Irving Fischer, Manager
R. J. Hargreaves, Manager
F. A. Lindsten, Manager
L. G. Meyer, Manager
L. G. Pavey, Manager
F. L. Purrington, Manager

DIRECTORS

		Term Expires Dec. 31
Class A:		
George M. Reynolds	Chrm., Cont'l. Nat'l. Bank & Trust Co., Chicago, Ill.	1930
Edward R. Estberg	Pres., Waukesha Nat'l. Bank, Waukesha, Wis.	1931
Geo. J. Schaller	Pres., Citizens First Nat'l.Bank, Storm Lake, Iowa	1932
Class B:		
		1930
S. T. Crapo	Sec. & Treas., Huron Port. Cement Co., Detroit, Mich.	1931
Robert M. Feustel	Pres., Indiana Service Corp., Fort Wayne, Ind.	1932
Class C:		
Wm. A. Heath	Chicago, Ill.	1930
F. C. Ball	Pres., Ball Bros. Co., Muncie, Ind.	1931
James Simpson	Pres., Marshall Field & Co., Chicago, Ill.	1932

MEMBER FEDERAL ADVISORY COUNCIL

Frank O. Wetmore

COUNSEL
Carl Meyer

DISTRICT NO. 8

FEDERAL RESERVE BANK OF ST. LOUIS

OFFICERS AND DIRECTORS, 1930

OFFICERS

Wm. McC. Martin, Governor

O. M. Attebery, Deputy Governor

Jas. G. McConkey, Sec'y. & Counsel

Rolla Wells, Chairman of the Board and Federal Reserve Agent

John W. Boehne, Deputy Chairman of the Board

C. M. Stewart, Assistant Federal Reserve Agent

L. H. Bailey, Acting Assistant Federal Reserve Agent

Wm. L. Gregory, Jr., Acting Assistant Federal Reserve Agent

E. J. Novy, Auditor

A. E. Debrecht, Assistant Auditor

A. H. Haill, Controller
S. F. Gilmore, Controller
F. N. Hall, Controller
C. A. Schacht, Controller
G. O. Hollocher, Controller

DIRECTORS

		Term Expires Dec. 31
Class A:		
Max B. Nahm	V.P., Citizens Nat'l.Bank, Bowling Green, Ky.	1930
John C. Martin	V.P.- Cashier, Salem Nat'l. Bank, Salem, Ill.	1931
John G. Lonsdale	Pres., Mercantile - Commerce Bk. & Tr. Co., St. Louis, Mo.	1932
Class B:		
J. W. Harris	Pres., Harris-Polk Hat Co., St. Louis, Mo.	1930
W. B. Plunkett	Pres., Plunkett-Jarrell Groc. Co., Little Rock, Ark.	1931
M. P. Sturdivant	Planter, Glendora, Mississippi	1932
Class C:		
Rolla Wells	St. Louis, Mo.	1930
Paul Dillard	Dillard & Coffin Co., Memphis, Tenn.	1931
John W. Boehne	Retired, Evansville, Ind.	1932

MEMBER FEDERAL ADVISORY COUNCIL

Walter W. Smith

COUNSEL

Jas. G. McConkey

DISTRICT NO. 9

FEDERAL RESERVE BANK OF MINNEAPOLIS

OFFICERS AND DIRECTORS, 1930

OFFICERS

W. B. Geery, Governor
Harry Yaeger, Deputy Governor
H. I. Ziemer, Deputy Governor
Gray Warren, Cashier

John R. Mitchell, Chairman of the Board and Federal Reserve Agent
Homer P. Clark, Deputy Chairman of the Board
Curtis L. Mosher, Assistant Federal Reserve Agent
Fred M. Bailey, Assistant Federal Reserve Agent
Frank C. Dunlop, Controller

Leonard E. Rast, Assistant Cashier
Harold C. Core, Assistant Cashier
Arthur R. Larson, Assistant Cashier

DIRECTORS

		Term Expires Dec. 31
Class A:		
Karl J. Farup	Pres., First Nat'l. Bank, Park River, N. D.	1930
Paul J. Leeman	V. P., First Nat'l. Bank, Minneapolis, Minn.	1931
J. C. Bassett	Pres., Aberdeen Nat'l. Bank, Aberdeen, S. D.	1932
Class B:		
John S. Owen	John S. Owen Lumber Co., Eau Claire, Wis.	1930
W. O. Washburn	A. J. Krank Mfg. Co., St. Paul, Minn.	1931
N. B. Holter	A. M. Holter Hardware Co., Helena, Mont.	1932
Class C:		
Homer P. Clark	Pres., West Publishing Co., St. Paul, Minn.	1930
Geo. W. McCormick	Pres., Menominee River Sugar Co., Menominee, Mich.	1931
John R. Mitchell	Minneapolis, Minn.	1932

MEMBER FEDERAL ADVISORY COUNCIL

Geo. H. Prince

COUNSEL

Andreas Ueland

DISTRICT NO. 10 X-6492

FEDERAL RESERVE BANK OF KANSAS CITY

OFFICERS AND DIRECTORS, 1930

OFFICERS

W. J. Bailey, Governor

C. A. Worthington, Deputy Governor

J. W. Helm, Cashier & Deputy Governor

M. L. McClure, Chairman of the Board and Federal Reserve Agent

Wm. L. Petrikin, Deputy Chairman of the Board

A. M. McAdams, Assistant Federal Reserve Agent and Secretary

S. A. Wardell, Auditor

John Phillips, Jr., Assistant Cashier
G. E. Barley, Assistant Cashier
E. P. Tyner, Assistant Cashier
M. W. E. Park, Assistant Cashier
G. H. Pipkin, Assistant Cashier
N. R. Oberwortmann, Assistant Cashier and Examiner

DIRECTORS

		Term Expires Dec. 31
Class A:		
C. C. Parks	V.P., First Nat'l. Bank, Denver, Colo.	1930
Frank W. Sponable	Pres., Miami County Nat'l. Bank, Paola, Kansas	1931
E. E. Mullaney	Pres., Farmers & Merchants Bank, Hill City, Kansas	1932
Class B:		
		1930
J. M. Bernardin	J. M. Bernardin Lumber Co., Kansas City, Mo.	1931
L. E. Phillips	V.P., Phillips Petrol. Co., Bartlesville, Oklahoma	1932
Class C:		
E. M. Brass	Farming & Livestock, Grand Island, Nebraska	1930
Wm. L. Petrikin	Pres., Great Western Sugar Co., Denver, Colo.	1931
M. L. McClure	Kansas City, Missouri	1932

MEMBER FEDERAL ADVISORY COUNCIL

W. S. McLucas

COUNSEL

H. G. Leedy

DISTRICT NO. 11 X-6492

FEDERAL RESERVE BANK OF DALLAS

OFFICERS AND DIRECTORS, 1930

OFFICERS

Lynn P. Talley, Governor

R. R. Gilbert, Deputy Governor

R. B. Coleman, Deputy Governor

Fred Harris, Cashier

W. O. Ford, Assistant Deputy Governor

C. C. Walsh, Chairman of the Board and Federal Reserve Agent

S. B. Perkins, Deputy Chairman of the Board

C. C. Hall, Assistant Federal Reserve Agent

W. J. Evans, Assistant Federal Reserve Agent

W. P. Clarke, General Auditor

C. C. True, Assistant Auditor

L. G. Pondrom, Assistant Cashier
E. B. Austin, Assistant Cashier
R. O. Webb, Assistant Cashier

DIRECTORS

		Term Expires Dec. 31
Class A:		
J. H. Frost	Pres., Frost Nat'l. Bank, San Antonio, Texas	1930
W. H. Patrick	Pres., First Nat'l. Bank, Clarendon, Texas	1931
J. P. Williams	Pres., First Nat'l. Bank, Mineral Wells, Texas	1932
Class B:		
J. R. Milam	V.P., Cooper Grocery Co., Waco, Texas	1930
A. S. Cleveland	W. D. Cleveland & Sons, Houston, Texas	1931
J. J. Culbertson	V.P., Southland Cotton Oil Co., Paris, Texas	1932
Class C:		
S. B. Perkins	Pres., Perkins Dry Goods Co., Dallas, Texas	1930
C. C. Walsh	Dallas, Texas	1931
E. R. Brown	Pres., Magnolia Petroleum Co., Dallas, Texas	1932

MEMBER FEDERAL ADVISORY COUNCIL

B. A. McKinney

COUNSEL

Charles C. Huff
Locke, Locke, Stroud & Randolph

DISTRICT NO. 12 X-6492

FEDERAL RESERVE BANK OF SAN FRANCISCO

OFFICERS AND DIRECTORS, 1930

OFFICERS

Jno. U. Calkins, Governor

W. A. Day, Deputy Governor

Ira Clerk, Deputy Governor

W. M. Hale, Cashier

Isaac B. Newton, Chairman of the Board and Federal Reserve Agent

Walton N. Moore, Deputy Chairman of the Board

S. G. Sargent, Assistant Federal Reserve Agent and Secretary

O. P. Wheeler, Acting Assistant Federal Res Agent

F. H. Holman, General Auditor

R. T. Hardy, Auditor

C. E. Earhart, Assistant Cashier
C. D. Phillips, Assistant Cashier
H. N. Mangels, Assistant Cashier

E. C. Mailliard, Assistant Cashier
F. C. Bold, Assistant Cashier
J. M. Osmer, Assistant Cashier

DIRECTORS

		Term Expires Dec. 31
Class A:		
Vernon H. Vawter	Cashier, Jackson County Bank, Medford, Oregon	1930
C. K. McIntosh	Pres., Bk. of California, N.A., San Francisco, Cal.	1931
T. H. Ramsay	Pres., Pacific Nat'l.Agr.Credit Corp., San Francisco, Cal.	1932
Class B:		
Malcolm McNaghten	Pres., Broadway Department Store, Inc., Los Angeles, Cal.	1930
E. H. Cox	V.P., Madera Sugar Pine Co., Madera, California	1931
A. B. C. Dohrmann	Chrm., Dohrmann Comm'l. Co., San Francisco, Cal.	1932
Class C:		
Walton N. Moore	Chrm., Walton N. Moore Dry Goods Co., San Francisco, Cal.	1930
Wm. Sproule	Southern Pac. Ry. Co., San Francisco, Cal.	1931
Isaac B. Newton	San Francisco, California	1932

MEMBER FEDERAL ADVISORY COUNCIL

F. L. Lipman

COUNSEL

A. C. Agnew

DISTRICT NO. 2

BUFFALO BRANCH of the FEDERAL RESERVE BANK OF NEW YORK

OFFICERS AND DIRECTORS, 1930.

OFFICERS

Robt. M. O'Hara, Managing Director
R. B. Wiltse, Assistant Manager
H. W. Snow, Cashier
C. L. Blakeslee, Assistant Cashier

DIRECTORS

		Term Expires Dec. 31
Robt. M. O'Hara	Buffalo, N. Y.	1930
Arthur G. Hough # Chrm.	Pres., Wiard Plow Co., Batavia, N. Y.	1930
Geo. F. Rand	Pres., Marine Trust Co., Buffalo, N. Y.	1930
Geo. G. Kleindinst #	Pres., Liberty Bank, Buffalo, N. Y.	1931
Jno. T. Symes	Pres., Niagara Co. Nat'l.Bk. & Trust Co., Lockport, N.Y.	1931
F. B. Cooley #	Pres., N.Y. Car Wheel Co., Buffalo, N. Y.	1932
Lewis G. Harriman	Pres., M. & T. Trust Co., Buffalo, N. Y.	1932

Appointed by the Board.

CINCINNATI BRANCH of the FEDERAL RESERVE BANK OF CLEVELAND

OFFICERS AND DIRECTORS, 1930

OFFICERS

C. F. McCombs, Managing Director
B. J. Lazar, Cashier
Bruce Kennelly, Asst. Cashier
H. N. Ott, Asst. Cashier

DIRECTORS

		Term Expires Dec. 31
C. F. McCombs	Cincinnati, Ohio	1930
Geo. M. Verity # Chrm.	Pres., Amer. Rolling Mill Co., Middletown, Ohio	1930
B. H. Kroger	Chrm., Provident Savings Bk. & Tr. Co., Cinn., Ohio	1930
Fred A. Geier #	Pres., Cinn. Milling Machine Co., Cincinnati, Ohio	1931
E. S. Lee	Pres., First Nat'l. Bank & Tr. Co., Covington, Ky.	1931
John Omwake #	Pres., U. S. Playing Card Co., Cincinnati, Ohio	1932
T. J. Davis	Chrm., First Nat'l. Bank, Cincinnati, Ohio	1932

PITTSBURGH BRANCH of the FEDERAL RESERVE BANK OF CLEVELAND

OFFICERS AND DIRECTORS, 1930

OFFICERS

J. C. Nevin, Managing Director
T. C. Griggs, Cashier
P. A. Brown, Asst. Cashier
F. E. Cobun, Asst. Cashier

DIRECTORS

		Term Expires Dec. 31
J. C. Nevin	Pittsburgh, Pennsylvania	1930
Jos. R. Naylor # Chrm.	V.P., John S. Naylor Co., Wheeling, West Virginia	1930
R. B. Mellon	Pres., Mellon Nat'l. Bk., Pittsburgh, Pennsylvania	1930
A. E. Braun	Pres., Farmers Deposit Nat'l. Bk., Pittsburgh, Pa.	1931
James Rae	Sec'y.-Treas., Arbuthnot Stevenson Co., " "	1931
A. L. Humphrey #	Pres., Westinghouse Air Brake Co., Pittsburgh, Pa.	1932
Jos. R. Eisaman	V.P., First Nat'l. Bank, Greensburg, Pennsylvania	1932

Appointed by the Board.

DISTRICT NO. 5 X-6492-a

BALTIMORE BRANCH of the FEDERAL RESERVE BANK OF RICHMOND

OFFICERS AND DIRECTORS, 1930

OFFICERS

A. H. Dudley, Managing Director
M. F. Reese, Cashier
T. I. Hays, Assistant Cashier
J. R. Cupit, Assistant Cashier

DIRECTORS

		Term Expires Dec. 31
A. H. Dudley	Baltimore, Maryland	1930
Norman James # Chrm.	James Lumber Company, Baltimore, Maryland	1930
H. B. Wilcox	V. P., Merchants Nat'l. Bank, Baltimore, Maryland	1930
Wm. H. Matthai #	Pres., Beaver Dam Marble Company, Baltimore, Maryland	1931
Levi B. Phillips	Pres., Nat'l. Bank of Cambridge, Cambridge, Maryland	1931
E. P. Cohill #	Pres., Tonoloway Orchard Company, Hancock, Maryland	1932
Carter G. Osburn	Pres., Farmers & Merch. Nat'l. Bank, Baltimore, Maryland	1932

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CHARLOTTE BRANCH of the FEDERAL RESERVE BANK OF RICHMOND

OFFICERS AND DIRECTORS, 1930

OFFICERS

Hugh Leach, Managing Director
W. T. Clements, Cashier

DIRECTORS

		Term Expires Dec. 31
Hugh Leach	Charlotte, N. C.	1930
John A. Law # Chrm.	Manufacturer-Banker, Spartanburg, S. C.	1930
Robert Gage	V. P. & Cashier, Commercial Bank, Chester, S. C.	1930
Jno. L. Morehead #	Manufacturer, Charlotte, N. C.	1931
W. H. Wood	Pres., American Trust Company, Charlotte, N. C.	1931
Chas. A. Cannon #	Pres., Cannon Mfg. Company, Kannapolis, N. C.	1932
W. J. Roddey, Sr.	Chrm., Columbia Nat'l. Bank, Columbia, S. C.	1932

Appointed by the Board.

DISTRICT NO. 6 X-6492-a

NEW ORLEANS BRANCH of the FEDERAL RESERVE BANK OF ATLANTA

OFFICERS AND DIRECTORS, 1930

OFFICERS

Marcus Walker, Managing Director
James A. Walker, Assistant Manager

Wm. H. Black, Cashier
F. C. Vasterling, Asst. Cashier
W. E. Miller, Asst. Auditor

DIRECTORS

		Term Expires Dec. 31
Marcus Walker	New Orleans, La.	1930
Albert P. Bush #	V. P., T. G. Bush Grocery Company, Mobile, Alabama	1930
J. D. O'Keefe	Pres., Whitney Nat'l. Bank, New Orleans, La.	1930
P. H. Saunders #	V. P., Newman, Saunders & Co., Inc., New Orleans, La.	1931
R. S. Hecht	Pres., Hibernia Bank & Trust Company, New Orleans, La.	1931
L. C. Simon # Chrm.	V. P., Kohn, Weil & Simon, Inc., New Orleans, La.	1932
F. W. Foote	Pres., First Nat'l. Bank, Hattiesburg, Mississippi	1932

BIRMINGHAM BRANCH of the FEDERAL RESERVE BANK OF ATLANTA

OFFICERS AND DIRECTORS, 1930

OFFICERS

A. E. Walker, Managing Director

H. J. Urquhart, Cashier
T. N. Knowlton, Asst. Cashier

DIRECTORS

		Term Expires Dec. 31
A. E. Walker	Birmingham, Alabama	1930
E. F. Allison #	Pres., Allison Lumber Company, Bellamy, Alabama	1930
W. E. Henley	Pres., Birmingham Trust & Savings Co., Birmingham, Ala.	1930
W. H. Kettig #Chrm.	Southern Representative, Crane Co., Birmingham, Alabama	1931
John H. Frye	Pres., Central Investment Co., Birmingham, Alabama	1931
Oscar Wells #	Pres., First Nat'l. Bank, Birmingham, Alabama	1932
W. W. Crawford	Chrm., American Traders Nat'l. Bank, Birmingham, Alabama	1932

Appointed by the Board.

JACKSONVILLE BRANCH of the FEDERAL RESERVE BANK OF ATLANTA

OFFICERS AND DIRECTORS, 1930

OFFICERS

W. S. McLarin, Jr., Managing Director

Geo. S. Vardeman, Cashier
Mary E. Mahon, Assistant Cashier

DIRECTORS

		Term Expires Dec. 31
W. S. McLarin, Jr.	Jacksonville, Florida	1930
S. O. Chase # Chrm.	Chase & Company, Sanford, Florida	1930
A. F. Perry	Pres., Florida Nat'l. Bank, Jacksonville, Florida	1930
J. C. Cooper #	Attorney at Law, Jacksonville, Florida	1931
G. G. Ware	Pres., First Nat'l. Bank, Leesburg, Florida	1931
Fulton Saussy #	Saussy & Common, Jacksonville, Florida	1932
Edw. W. Lane	Chrm., Atlantic Nat'l. Bank, Jacksonville, Florida	1932

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NASHVILLE BRANCH of the FEDERAL RESERVE BANK OF ATLANTA

OFFICERS AND DIRECTORS, 1930

OFFICERS

Joel B. Fort, Jr., Managing Director

E. R. Harrison, Cashier
Leo W. Starr, Assistant Cashier

DIRECTORS

		Term Expires Dec. 31
Joel B. Fort, Jr.	Nashville, Tennessee	1930
Wm. P. Ridley #	Farmer, Columbia, Tennessee	1930
J. E. Caldwell	Pres., Fourth & First Nat'l. Bk., Nashville, Tenn.	1930
Luke Lea # Chrm.	Publisher, Nashville, Tennessee	1931
J. B. Ramsey	Pres., Holston-Union Nat'l. Bank, Knoxville, Tenn.	1931
P. M. Davis #	V. P., American Nat'l. Bank, Nashville, Tennessee	1932
E. A. Lindsey	Pres., Tenn. Hermitage Nat'l. Bk., Nashville, Tenn.	1932

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SAVANNAH AGENCY of the FEDERAL RESERVE BANK OF ATLANTA

J. H. Bowden, Manager _ _ _ _ _ _ _ _ _ _ _ _ _ _ James A. Goethe, Assistant Manager

HAVANA AGENCY of the FEDERAL RESERVE BANK OF ATLANTA

L. L. Magruder, Manager

H. C. Frazer, Assistant Manager

Appointed by the Board.

DISTRICT NO. 7 X-6492-a

DETROIT BRANCH of the FEDERAL RESERVE BANK OF CHICAGO 129

OFFICERS AND DIRECTORS, 1930

OFFICERS

W. R. Cation, Managing Director
H. J. Chalfont, Cashier

J. G. Baskin, Assistant Cashier
G. T. Jarvis, Assistant Cashier
F. L. Bowen, Assistant Auditor

Isadore Levin, Asst. Counsel

DIRECTORS

		Term Expires Dec. 31
W. R. Cation	Detroit, Michigan	1930
David McMorran # Chrm.	Pres., Heinr. Franck Sons, Inc., Bay City, Michigan	1930
Geo. B. Morley	Pres., Second Nat'l. Bank, Saginaw, Michigan	1930
James Inglis #	Pres., American Blower Company, Detroit, Michigan	1931
Wm. J. Gray	V. Chrm., First National Bank, Detroit, Michigan	1931
N. P. Hull #	Pres., Grange Life Insurance Co., Lansing, Michigan	1932
Julius H. Haass	Pres., Peoples-Wayne Co. Bank, Detroit, Michigan	1932

Appointed by the Board.

LOUISVILLE BRANCH of the FEDERAL RESERVE BANK OF ST. LOUIS

OFFICERS AND DIRECTORS, 1930

OFFICERS

W. P. Kincheloe, Managing Director
John T. Moore, Cashier
Earl R. Muir, Assistant Cashier
L. A. Moore, Assistant Auditor

DIRECTORS

		Term Expires Dec. 31
W. P. Kincheloe	Louisville, Kentucky	1930
E. H. Woods # Chrm.	Planter, Lucas, Kentucky	1930
T. D. Scales	Pres., First Nat'l. Bank, Boonville, Indiana	1930
E. L. Swearingen #	Pres., First Nat'l. Bank, Louisville, Kentucky	1931
Jno. T. Reynolds	Pres., First Nat'l. Bank, Greenville, Kentucky	1931
Wm. Black #	Pres., B. F. Avery & Sons, Louisville, Kentucky	1932
Eugene E. Hoge	Pres., State Nat'l. Bank, Frankfort, Kentucky	1932

MEMPHIS BRANCH of the FEDERAL RESERVE BANK OF ST. LOUIS

OFFICERS AND DIRECTORS, 1930

OFFICERS

W. H. Glasgow, Managing Director
S. K. Belcher, Cashier
C. E. Martin, Assistant Cashier

DIRECTORS

		Term Expires Dec. 31
W. H. Glasgow	Memphis, Tennessee	1930
E. L. Anderson # Chrm.	Pres., King & Anderson, Clarksdale, Miss.	1930
R. B. Snowden	V. P., Bank of Commerce & Trust Co., Memphis, Tenn.	1930
S. E. Ragland #	Pres., First Nat'l. Bank, Memphis, Tennessee	1931
J. W. Alderson	V. P., Bank of East. Ark., Forrest City, Arkansas	1931
Wm. Orgill #	Pres., Orgill Bros. & Co., Memphis, Tennessee	1932
J. M. Tarrant	Pres., First - Citizens Nat'l. Bk., Dyersburg, Tenn.	1932

Appointed by the Board.

DISTRICT NO. 8 X-6492-a

LITTLE ROCK BRANCH of the FEDERAL RESERVE BANK OF ST. LOUIS 124

OFFICERS AND DIRECTORS, 1930

OFFICERS

A. F. Bailey, Managing Director
M. H. Long, Cashier
C. Wood, Assistant Cashier

DIRECTORS

		Term Expires Dec. 31
A. F. Bailey	Little Rock, Arkansas	1930
Hamp Williams # Chrm.	Pres., Hamp Williams Hardware Co., Hot Springs, Ark.	1930
Jno. M. Davis	Pres., Exch. Nat'l. Bank, Little Rock, Arkansas	1930
Moorhead Wright #	Chrm., Union Trust Company, Little Rock, Arkansas	1931
Jo Nichol	Pres., Simmons Nat'l. Bank, Pine Bluff, Arkansas	1931
G. H. Campbell #	Insurance, Little Rock, Arkansas	1932
Stuart Wilson	Pres., State National Bank, Texarkana, Arkansas	1932

Appointed by the Board.

DISTRICT NO. 9 X-6492-a

HELENA BRANCH of the FEDERAL RESERVE BANK OF MINNEAPOLIS 185

OFFICERS AND DIRECTORS, 1930

OFFICERS

R. E. Towle, Managing Director
H. L. Zimmerman, Cashier
A. A. Hoerr, Assistant Cashier

T. B. Weir, Counsel

DIRECTORS

		Term Expires Dec. 31
R. E. Towle	Helena, Montana	1930
C. J. Kelly # Chrm.	Hanson Packing Company, Butte, Montana	1930
Samuel McKennan	Pres., Union Bank & Trust Company, Helena, Montana	1930
Henry Sieben #	Pres., Sieben Livestock Co., Helena, Montana	1931
T. A. Marlow	Pres., National Bank of Montana, Helena, Montana	1931

Appointed by the Board.

DISTRICT NO. 10 X-6493-a

DENVER BRANCH of the FEDERAL RESERVE BANK OF KANSAS CITY

OFFICERS AND DIRECTORS, 1930

OFFICERS

J. E. Olson, Managing Director
S. A. Brown, Cashier
J. A. Cronan, Assistant Cashier

DIRECTORS

		Term Expires Dec. 31
J. E. Olson	Denver, Colorado	1930
Merrit W. Gano # Chrm.	The Gano-Downs Co., Denver, Colorado	1930
Harold Kountze	Chrm., Colorado Nat'l. Bank, Denver, Colorado	1930
Murdo MacKenzie #	The Matador Land & Cattle Co., Ltd., Denver, Colorado	1931
Harry W. Farr	Livestock & Farming, Greeley, Colorado	1931
R. H. Davis #	Wholesale Drug Business, Denver, Colorado	1932
Henry Swan	V. P., U. S. National Bank, Denver, Colorado	1932

OMAHA BRANCH of the FEDERAL RESERVE BANK OF KANSAS CITY

OFFICERS AND DIRECTORS, 1930

OFFICERS

L. H. Earhart, Managing Director
G. A. Gregory, Cashier
Wm. Phillips, Assistant Cashier
O. P. Cordill, Assistant Cashier

DIRECTORS

		Term Expires Dec. 31
L. H. Earhart	Omaha, Nebraska	1930
W. W. Magee # Chrm.	Farmer - Stockman, Bennington, Nebraska	1930
R. O. Marnell	Cashier, Merchants Nat'l. Bank, Nebraska City, Nebr.	1930
Wm. Diesing #	Cudahy Packing Co., Omaha, Nebraska	1931
A. H. Marble	Pres., Stock Growers Nat'l. Bank, Cheyenne, Wyoming	1931
Wm. E. Hardy #	Hardy Furniture Company, Lincoln, Nebraska	1932
T. L. Davis	V. P., First National Bank, Omaha, Nebraska	1932

Appointed by the Board.

DISTRICT NO. 10 X-6492-a

OKLAHOMA CITY BRANCH of the FEDERAL RESERVE BANK OF KANSAS CITY

OFFICERS AND DIRECTORS, 1930

OFFICERS

C. E. Daniel, Managing Director
R. O. Wunderlich, Cashier R. L. Mathes, Assistant Cashier

DIRECTORS

		Term Expires Dec. 31
C. E. Daniel	Oklahoma City, Oklahoma	1930
J. B. Doolin # Chrm.	Pres., Schaefer-Doolin Mortgage Co., Alva, Okla.	1930
William Mee	Chrm., Ex. Com., Am. 1st Nat'l. Bk., Okla.City, Okla.	1930
W. F. Nichols #	Merchandising & Livestock, Tulsa, Oklahoma	1931
Ned Holman	V. P., Exchange Nat'l. Bank, Tulsa, Oklahoma	1931
Austin Miller #	Pres., Okla. Furniture Mfg. Co., Okla. City, Okla.	1932
H. H. Ogden	Pres., First Nat. Bk. & Tr. Co., Muskogee, Okla.	1932

Appointed by the Board.

DISTRICT NO. 11

EL PASO BRANCH of the FEDERAL RESERVE BANK OF DALLAS

OFFICERS AND DIRECTORS, 1930

OFFICERS

J. L. Hermann, Managing Director

Allen Sayles, Cashier

DIRECTORS

		Term Expires Dec. 31
J. L. Hermann	El Paso, Texas	1930
A. J. Crawford # Chrm.	Pres., Peoples Mercantile Co., Carlsbad, N. M.	1930
Geo. D. Flory	V. P., The State National Bank, El Paso, Texas	1930
C. M. Newman #	Pres., Newman Investment Co., El Paso, Texas	1931
E. M. Hurd	Pres., H. Lesinsky Company, El Paso, Texas	1931
A. P. Coles #	Investments, El Paso, Texas	1932
A. F. Jones	Cashier, First Nat'l. Bank, Portales, N. M.	1932

- -

HOUSTON BRANCH of the FEDERAL RESERVE BANK OF DALLAS

OFFICERS AND DIRECTORS, 1930

OFFICERS

W. D. Gentry, Managing Director
C. B. Mendel, Cashier

H. R. DeMoss, Assistant Cashier

DIRECTORS

		Term Expires Dec. 31
W. D. Gentry	Houston, Texas	1930
E. A. Peden # Chrm.	Pres., Peden Iron & Steel Co., Houston, Texas	1930
Fred W. Catterall	Cashier, First Nat'l. Bank, Galveston, Texas	1930
Guy M. Bryan	V. P., Second Nat'l. Bank, Houston, Texas	1931
R. M. Farrar #	Pres., Farrar Lumber Co., Houston, Texas	1931
N. E. Meador	Pres., National Bank of Commerce, Houston, Texas	1932
J. Cooke Wilson #	Pres., The Wilson Broach Co., Beaumont, Texas	1932

Appointed by the Board.

DISTRICT NO. 11 X-6492-a

SAN ANTONIO BRANCH of the FEDERAL RESERVE BANK OF DALLAS

OFFICERS AND DIRECTORS, 1930

OFFICERS

M. Crump, Managing Director
W. E. Eagle, Cashier

T. E. Parks, Assistant Cashier

DIRECTORS

		Term Expires Dec. 31
M. Crump	San Antonio, Texas	1930
Jno. M. Bennett # Chrm.	Pres., Standard Trust Co., San Antonio, Texas	1930
R. T. Hunnicutt	V. P., First National Bank, Del Rio, Texas	1930
Reagan Houston #	V. P., A. B. Frank Co., San Antonio, Texas	1931
Ernest Steves	Pres., Alamo National Bank, San Antonio, Texas	1931
Frank G. Crow #	V. P., State Bank & Trust Co., McAllen, Texas	1932
Franz C. Groos	Pres., Groos National Bank, San Antonio, Texas	1932

Appointed by the Board.

DISTRICT NO. 12

LOS ANGELES BRANCH of the FEDERAL RESERVE BANK OF SAN FRANCISCO

OFFICERS AND DIRECTORS, 1930

OFFICERS

W. N. Ambrose, Managing Director
M. McRitchie, Assistant Manager
A. J. Dumm, Assistant Cashier
L. C. Meyer, Assistant Cashier

DIRECTORS

		Term Expires Dec. 31
W. N. Ambrose	Los Angeles, California	1930
J. B. Alexander # Chrm.	Spreckles Bros. Comm. Co., Los Angeles, California	1930
Henry M. Robinson	Chrm., Security - First National Bank, Los Angeles, California	1930
C. B. Voorhis #	Pasadena, California	1931
F. J. Belcher, Jr.	Pres., First Nat'l. Tr. & Svgs. Bank, San Diego, Cal.	1931

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SALT LAKE CITY BRANCH of the FEDERAL RESERVE BANK OF SAN FRANCISCO

OFFICERS AND DIRECTORS, 1930

OFFICERS

W. L. Partner, Managing Director
H. M. Craft, Assistant Manager
W. M. Smoot, Asst. Cashier

DIRECTORS

		Term Expires Dec. 31
W. L. Partner	Salt Lake City, Utah	1930
G. G. Wright # Chrm.	V. P., Cons. Wagon & Mach. Co., Salt Lake City, U.	1930
L. H. Farnsworth	Chrm., Walker Bros., Bankers, Salt Lake City, U.	1930
Lafayette Hanchett #	Chrm., Utah P. & Light Co., Salt Lake City, Utah	1931
Chas. H. Barton	Pres., Nat'l. Bank of Commerce, Ogden, Utah	1931

Appointed by the Board.

PORTLAND BRANCH of the FEDERAL RESERVE BANK OF SAN FRANCISCO

OFFICERS AND DIRECTORS, 1930.

OFFICERS

R. B. West, Managing Director
S. A. MacEachron, Assistant Manager
J. P. Blanchard, Assistant Cashier

DIRECTORS

		Term Expires Dec. 31
R. B. West	Portland, Oregon	1930
Edward C. Pease # Chrm.	Edward C. Pease Co., Inc., The Dalles, Oregon	1930
John F. Daly	Pres., Hibernia Com. & Svgs. Bank, Portland, Oregon	1930
Nathan Strauss #	Fleischner, Mayer & Company, Portland, Oregon	1931
J. C. Ainsworth	Pres., U. S. National Bank, Portland, Oregon	1931

SPOKANE BRANCH of the FEDERAL RESERVE BANK OF SAN FRANCISCO

OFFICERS AND DIRECTORS, 1930

OFFICERS

D. L. Davis, Managing Director
J. M. Leisner, Assistant Manager
Evan Berg, Assistant Cashier

DIRECTORS

		Term Expires Dec. 31
D. L. Davis	Spokane, Washington	1930
Peter McGregor # Chrm.	McGregor Land & Livestock Co., Hooper, Washington	1930
R. L. Rutter	Pres., Spokane & Eastern Tr. Co., Spokane, Wash.	1930
G. I. Toevs #	V. P., Centennial Mill Co., Spokane, Washington	1931
D. W. Twohy	Chrm., Old Nat'l. Bank & Union Tr. Co., Spokane, Wash.	1931

Appointed by the Board.

DISTRICT NO. 12

SEATTLE BRANCH of the FEDERAL RESERVE BANK OF SAN FRANCISCO

OFFICERS AND DIRECTORS, 1930

OFFICERS

C. R. Shaw, Managing Director
B. A. Russell, Assistant Manager
G. W. Relf, Assistant Cashier

DIRECTORS

		Term Expires Dec. 31
C. R. Shaw	Seattle, Washington	1930
Henry A. Rhodes # Chrm.	Rhodes Brothers Department Store, Tacoma, Wash.	1930
M. F. Backus	Pres., Nat'l. Bank of Commerce, Seattle, Washington	1930
Chas. H. Clarke #	Gen'l. Casualty Co. of America, Seattle, Washington	1931
M. A. Arnold	Pres., First Seattle Dexter Horton Nat'l. Bank, Seattle, Washington	1931

Appointed by the Board.

X-6493

STATEMENT OF BUREAU OF ENGRAVING AND PRINTING

Federal Reserve Notes, Series 1928.

Month of January, 1930.

	$5	$10	$20	$50	$100	$500	$1,000	$5,000
Boston	100,000	100,000	50,000	5,000	5,000	-	-	-
New York	50,000	100,000	50,000	-	20,000	800	1,000	200
Philadelphia	-	20,000	25,000	-	-	-	-	-
Cleveland	50,000	-	-	-	-	360	200	96
Richmond	50,000	100,000	25,000	5,000	-	100	-	8
Atlanta	-	-	-	-	-	1,300	2,600	-
Chicago	100,000	150,000	-	-	-	1,000	33	-
St. Louis	100,000	50,000	25,000	-	-	-	100	-
Minneapolis	50,000	20,000	10,000	-	-	-	-	-
Kansas City	50,000	20,000	50,000	-	-	-	-	-
San Francisco	50,000	20,000	-	-	-	-	100	26
Totals,	600,000	580,000	235,000	10,000	25,000	3,560	4,033	330

	$10,000	Total sheets	Amount
Boston	-	260,000	$23,270.00
New York	100	222,100	19,877.95
Philadelphia	-	45,000	4,027.50
Cleveland	48	50,704	4,538.01
Richmond	8	180,116	16,120.38
Atlanta	-	3,900	349.05
Chicago	-	251,033	22,467.45
St. Louis	-	175,100	15,671.45
Minneapolis	-	80,000	7,160.00
Kansas City	-	120,000	10,740.00
San Francisco	46	70,172	6,280.40
	202	1,458,125	$130,502.19

1,458,125 sheets @ $89.50 per M, . . . $130,502.19

Bureau of Engraving and Printing

C. R. Long, Assistant Director.

X-6495

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

Washington, D. C.
For immediate release. February 6, 1930.

The Federal Reserve Board announces that the Federal Reserve Bank of Richmond has established a rediscount rate of 4½% on all classes of paper of all maturities, effective February 7, 1930.

X-6496

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

For immediate release. February 6, 1930.

The Federal Reserve Board announces that the Federal Reserve Bank of New York has established a rediscount rate of 4 per cent on all classes of paper of all maturities, effective February 7, 1930.

X-6497

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

For immediate release. February 7, 1930.

The Federal Reserve Board announces that the Federal Reserve Bank of Minneapolis has established a rediscount rate of 4½% on all classes of paper of all maturities, effective February 8, 1930.

X-6498

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

Washington, D. C.
For release at 3 p. m. February 7, 1930.

The Federal Reserve Board announces that the Federal Reserve Bank of Cleveland has established a rediscount rate of 4½% on all classes of paper of all maturities, effective February 8, 1930.

X-6439

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

For release at 3: p.m. February 7, 1930.

The Federal Reserve Board announces that the Federal Reserve Bank of Chicago has established a rediscount rate of 4% on all classes of paper of all maturities, effective February 8, 1930.

X-6500

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

For release at 4: p. m. February 7, 1930.

The Federal Reserve Board announces that the Federal Reserve Bank of Dallas has established a rediscount rate of 4½% on all classes of paper of all maturities, effective February 8, 1930.

X-6503

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

For release at 3: p. m. February 10, 1930.

The Federal Reserve Board announces that the Federal Reserve Bank of St. Louis has established a rediscount rate of 4½% on all classes of paper of all maturities, effective February 11, 1930.

X-6506

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

For release at 3:00 p. m. February 12, 1930.

The Federal Reserve Board announces that the Federal Reserve Bank of Boston has established a rediscount rate of 4% on all classes of paper of all maturities, effective February 13, 1930.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6507

February 12, 1930.

SUBJECT: Recommendations of Federal Reserve Agents' Conference re Elections of Class A and Class B Directors.

Dear Sir:

The Federal Reserve Board has given consideration to the three recommendations of the last Conference of Federal Reserve Agents with regard to the election of Class A and Class B directors of Federal reserve banks.

The first of the suggested changes referred to recommended by the Conference of Federal Reserve Agents is that the date for the opening of the polls in the annual elections of Class A and Class B directors of Federal reserve banks be changed from November 15 to November 1 in order to permit consideration by the member banks of the several nominees at the November meetings of their boards of directors, with the hope that as a result member banks will take greater interest in the elections. The Federal Reserve Board has voted to approve this suggestion and you are authorized accordingly to change the date for opening the polls in the annual elections of Class A and Class B directors hereafter from November 15 to November 1.

The Conference of Federal Reserve Agents further recommended that an amendment to the law clarifying the meaning of the term "electors voting", as used in that part of section 4 of the Federal Reserve Act which provides for the method of counting the ballots in the election of directors of Federal reserve banks, be brought to the attention of the Federal Reserve Board with the request that it be presented to Congress in form approved by the Federal Reserve Board. You are advised that the Federal Reserve Board, after consideration of this matter, is recommending to Congress that section 4 of the Federal Reserve Act be amended substantially in the form of the amendment suggested by the Conference of Agents. The Board is also recommending such an amendment in its Annual Report.

The Conference of Federal Reserve Agents also adopted, subject to the approval of the Federal Reserve Board, a uniform plan for designation by member banks of officers authorized to

cast the ballots of such member banks in the elections of Class A and Class B directors. Under the plan suggested, each member bank by resolution of its board of directors or by amendment to its by-laws would authorize the chairman of its board, its president, or any one of its vice presidents, or its cashier, to cast the vote of such bank in the annual elections of Class A and Class B directors. Upon consideration of this matter, the Federal Reserve Board is not disposed to approve the plan as suggested, because it feels that not more than one officer of a member bank should have authority for voting purposes at any one time. If two or more officers were designated by one bank, it is possible that votes for different nominees might be cast by the authorized officers of the same member bank, and this would give rise to obvious complications and embarrassment. The Board has also considered the plan of designating one officer by title only and not referring to him by name. This plan is subject to objection, however, in that many member banks have a number of officers holding the same title, such as "vice president", or "assistant cashier", and where this is true the designation of such a title would either authorize each officer holding such title to vote or leave it uncertain which had the proper authority. The Board is also giving thought to the possibility of having each member bank authorize an officer to vote in the elections of one year only, so that a new resolution will be necessary each year. It is believed that this also would result in member banks taking greater interest in the elections. It will be appreciated if you will give these questions your consideration and advise the Board of your views as to the most practical method of procedure in the designation by member banks of officers to vote in elections of Class A and Class B directors. The Board will then give the subject further consideration and will advise you of action taken.

By order of the Federal Reserve Board.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

TO ALL FEDERAL RESERVE AGENTS.

X-6509

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

For release at 4:00 p. m. February 14, 1930.

The Federal Reserve Board announces that the Federal Reserve Bank of Kansas City has established a rediscount rate of 4% on all classes of paper of all maturities, effective February 15, 1930.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6510

February 19, 1930.

SUBJECT: Holidays during March, 1930.

Dear Sir:

The following Federal Reserve Banks and Branches will be closed on dates specified during March:

Monday	March 3	Dallas El Paso Houston San Antonio	Texas Independence Day
Tuesday	March 4	New Orleans Birmingham	Mardi Gras Day
Tuesday	March 4	Kansas City	Primary Election (City)
Tuesday	March 25	Baltimore	Maryland Day
Tuesday	March 25	Kansas City	General Election (City)

On the dates indicated, the banks affected will not participate in either the Gold Settlement Fund or the Federal reserve note clearing. Please include credits for the offices affected on each of the holidays with your credits for the following business day, and make no shipments of Federal reserve notes, fit or unfit, for account of the head offices involved.

Please notify branches.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

X-6511

FEDERAL RESERVE BOARD

STATEMENT FOR THE PRESS

For immediate Release February 18, 1930.

The first and organization meeting of the Federal Advisory Council for 1930 was held on Tuesday, February 18. The members of the Council are:

Federal Reserve District No. 1, Boston, Herbert K. Hallett
No. 2, New York, Wm. C. Potter
No. 3, Philadelphia, L. L. Rue
No. 4, Cleveland, Harris Creech
No. 5, Richmond, John Poole
No. 6, Atlanta, J. P. Butler, Jr.
No. 7, Chicago, Frank O. Wetmore
No. 8, St. Louis, Walter W. Smith
No. 9, Minneapolis, Geo. H. Prince
No. 10, Kansas City, Walter S. McLucas
No. 11, Dallas, B. A. McKinney
No. 12, San Francisco, F. L. Lipman

Frank O. Wetmore of Chicago, was re-elected President and B. A. McKinney of Dallas, was re-elected Vice President. These officers as ex-officio members and Messrs. Potter, Rue, Creech and Smith will comprise the Executive Committee. Mr. Walter Lichtenstein was appointed Secretary of the Council.

COPY

X-6512

STATE OF MINNESOTA

DISTRICT COURT

COUNTY OF HENNEPIN

FOURTH JUDICIAL DISTRICT

International Shoe Company,

Plaintiff,

vs.

Federal Reserve Bank of Minneapolis,

Defendant.

FINDINGS OF FACT
CONCLUSIONS OF LAW
AND ORDER FOR JUDGMENT

The above entitled cause was tried the 2nd day of April, 1928, before the court without a jury, a jury having been waived. Messrs. L. A. Reed and A. P. Reed appeared on behalf of plaintiff and Messrs. Ueland & Ueland appeared on behalf of the defendant. The court having heard the evidence adduced and being fully advised in the premises -

FINDS AS FACTS:

1. That on October 6, 1923 plaintiff was the owner of a check drawn payable to its order by Schefter Clothing House, said check being in the sum of $1376.23 and being drawn upon the Citizens State Bank of Langdon, North Dakota; that on the same date plaintiff duly endorsed said check by unrestricted endorsement to the First National Bank in St. Louis and deposited said check with said bank for credit to its account with said bank; that the pass book issued by said bank in which said deposit was entered contained the following provision, to-wit:

NOTICE TO CUSTOMERS.
The First National Bank in St. Louis
accepts business on the following
conditions only:

LIMITATION OF BANK'S LIABILITY FOR

COLLECTIONS OR CREDITS.

All items received for Collection or Credit are taken for depositor's accomodation and at his risk; and in no case shall this Bank be liable for more than ordinary care and diligence on its part with respect to such items; and it shall not be liable for the negligence or fraud of any person or corporation to whom such items may be sent for payment, nor shall it be liable for returns on such items until such returns have been cashed. In case any item is lost through failure to collect, or failure of return to be paid, this Bank shall have the right to charge back such item to the depositor.

In the absence of written instructions to the contrary by the depositor in each case, items may be sent for payment to the Bank, Banker or Trust Company on which they are drawn, although a charge is made for such collection. This Bank will accept items for collection or credit only on the above terms and conditions and the delivery to this Bank of such items shall constitute an acceptance of such terms and conditions by the customer.

FIRST NATIONAL BANK in ST. LOUIS

Deposited by

That on the deposit slip by which said check was deposited was printed the following:

"First National Bank in St. Louis. Deposited by International Shoe Company. To depositors; Checks, drafts etc., are received and credited for the accommodation of Depositors. The bank declines responsibility for their collection and reserves the right to charge them back to the account if they, or the remittances received for them, are not paid. When instructions to the contrary are not given, items may be sent to the bank on which they are drawn, though a charge is made for the service, and when so sent, these conditions are not waived or suspended."

2. That on October 6, 1923 the said First National Bank in St. Louis did then and there credit the amount of said check at its face value to the checking or commercial account of plaintiff with said bank and did then and there endorse the same as follows:

"Pay to the order of any bank or banker. Prior endorsements guaranteed. First National Bank in St. Louis, C. L. Allen, Cashier, 4-5, 614 Oct. 6, 1923."

and it did then and there send the said check by mail to defendant with other items enclosed with a letter dated October 6, 1923 which bore the direction:

"Credit 4-4 Federal Reserve Bank of St. Louis 4-4 For account of First National Bank in St. Louis, Mo. 4-5. Protest of items over $10 except those on the face of which appears this stamp 'no - pro 4-5' or similar authority that can be identified by the collecting bank as that of a preceding endorser. Telegraph non-payment of items $500 or over and quote the name of last preceding endorser."

which said letter and check were received by the defendant on October 8, 1923.

3. That thereafter and on October 8, 1923 the defendant endorsed the said check on the bank thereof as follows:

"Pay to the order of any bank, banker or trust Co. All prior endorsements guaranteed October 8, 1923. Federal Reserve Bank 17-8 Minneapolis, Minn. 17-8."

and thereupon transmitted the said check direct to said Citizens State Bank of Langdon for payment. That said check for $1376.23 was forwarded by defendant to said bank in Langdon on October 8, 1923 in a form letter bearing the following printed instructions:

"We enclose the following items for collection and returns. Do not hold items for any reason whatever. Wire non-payment of items of $500 or over. Do not protest items of $10 or over or those bearing stamp on the face -- no pro 17-8 -- or similar authority of a preceding bank endorser. Protest all other items. Return this letter with your draft."

That said letter contained items aggregating $1812.31.

4. That said Citizens State Bank received the said letter and check and on October 10, 1923 issued for the said above described check and other checks its draft drawn on the Northwestern National Bank in Minneapolis in favor of defendant for the said sum of $1812.31, stamped the said above described $1376.23 check "paid", debited the account of the said Schefter Clothing House with the amount thereof and returned the said check to the said Schefter Clothing House. That on or after October 10, 1923 the said Citizens State Bank of Langdon transmitted said draft by mail to the defendant and that on October 18, 1923 the defendant received the same.

5. That on October 18, 1923 the defendant presented the said draft to the said drawee bank for payment and payment was refused and the same was dishonored, and defendant thereupon caused said draft to be protested for non-payment. That on October 19, 1923 the defendant charged the amount of said check to the Federal Reserve Bank of St. Louis for the account of the said First National Bank in St. Louis. That on October 23, 1923 the said First National Bank in St. Louis notified plaintiff that the said check had not been collected and then and there charged the amount of the same to said plaintiff and on October 24, 1923 the said plaintiff duly repaid the amount of said check to the said First National Bank in St. Louis. That said check of $1376.23 has never been returned by defendant or by any one else to said First National Bank in St. Louis or to plaintiff. That no demand has ever been made by defendant on the said Citizens State Bank of Langdon for the return of the said check subsequent to the dishonor of the said draft.

6. That said check for $1376.23 was handled by defendant as a part of defendant's clearing house operations pursuant to Regulation J - Series 1923, promulgated by the Federal Reserve Board, and that said check was received by defendant direct from said First National Bank in St. Louis pursuant to an arrangement entered into between defendant, the Federal Reserve Bank of St. Louis and said First National Bank in St. Louis, whereby the privilege of routing checks direct to defendant was extended to said First National Bank and whereby it was understood and agreed that all checks so routed direct to defendant should be received and handled by it in all respects in the same manner and subject to the same terms and conditions that were prescribed by defendant from time to time for the handling of checks in its clearing house operations.

7. That Regulation J - Series of 1920, promulgated by the Federal Reserve Board as aforesaid, also provided in part as follows:

> "In handling items for member *** banks a Federal Reserve Bank will act as agent only. The Board will require that each member *** bank authorize its Federal Reserve Bank to send checks for collection to banks on which checks are drawn, and, except for negligence, such Federal Reserve Bank will assume no liability. Any further requirements that the Board may deem necessary will be set forth by the Federal Reserve Bank in their letters of instruction to their member *** banks. Each Federal Reserve Bank will also promulgate rules and regulations governing the details of its operations as a clearing house, such rules and regulations to be binding upon all member and nonmember banks which are clearing through the Federal Reserve Bank."

8. That pursuant to and in accordance with said order and regulation of the Federal Reserve Board, defendant did promulgate rules and regulations governing the details of its operations as a clearing house under said Federal Reserve Act; that said rules and regulations

which were in force during all times mentioned in the complaint, insofar as the same are material to the issues here in controversy between plaintiff and defendant, provided as follows:

> "GENERAL CONDITIONS. Every bank sending checks to this bank, or for its account to another Federal Reserve Bank, will be understood to have agreed to the terms and conditions of this circular, and to have agreed that in receiving such items this bank will act only as the collecting agent of the sending bank, and as such authorized to send such items for payment in cash or bank draft direct to the bank on which they are drawn, or to forward them to another agent with authority to present or send them for payment in cash or bank draft direct to the bank on which they are drawn, and that this bank is authorized to charge back the amount of any item, whether returned or not, for which this bank has not actually received payment either in cash or in the proceeds of the bank draft."

9. That said rules and regulations of defendant were contained in a check clearing and collection circular of defendant known as defendant's circular No. 286; that said circular No. 286 was furnished to the Federal Reserve Bank of St. Louis long prior to October 8, 1923, but that no copy of said circular was ever furnished to or received by plaintiff and that plaintiff had no direct dealings either with defendant or the Federal Reserve Bank of St. Louis until long after October 8, 1923.

10. That on October 8, 1923 said Citizens State Bank of Langdon was in fact insolvent and was unable to pay the checks of its depositors as presented, and at no time on or after October 8, 1923 could said check for $1376.23 have been collected in cash.

11. That the only loss in connection with the collection of said check for $1376.23 was incurred from the fact that said Citizens State Bank of Langdon, on October 10, 1923, wrongfully treated said

check as paid, as hereinbefore set forth, without having available funds to remit for said check to defendant, whereby the drawer of said check was discharged on October 10, 1923.

12. That defendant never agreed with plaintiff to act as the agent of plaintiff in the collection of said check for $1376.23.

13. That the only terms and conditions under which defendant ever agreed to handle said check were those terms and conditions contained in Regulation J and defendant's circular No. 286, as hereinbefore set forth.

14. That until October 18, 1923 defendant had no knowledge or notice of the insolvent condition of the Citizens State Bank of Langdon, and that defendant in handling said check for $1376.23 for collection was not negligent in any particular.

AS CONCLUSIONS OF LAW the court finds that defendant is entitled to judgment of dismissal against plaintiff and for its costs and disbursements to be taxed by the clerk.

LET JUDGMENT BE ENTERED ACCORDINGLY.

Dated May 8, 1929.

Harry A. Johnson
Judge of District Court.

Enter a stay of 30 days.

Johnson, Judge.

IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF GEORGIA.

IN EQUITY.

To the Judge of the District Court of the United States for the Northern District of Georgia:

T. C. Bobbitt, O. H. Cheek, Mrs. W. S. Phillips, R. F. Garner and S. L. Veal, citizens and residents of the County of Laurens, State of Georgia, suing in behalf of themselves and other parties similarly situated, bring this their bill of complaint against the Federal Reserve Bank of Atlanta, a Federal Reserve Bank organized under the Federal Reserve Act of the Congress of the United States, a citizen and resident of the County of Fulton, State of Georgia, and against H. W. Whitman, as Receiver of the First National Bank of Dublin, Georgia, of the County of Laurens, State of Georgia, and a citizen and resident of said County of Laurens, State of Georgia, and thereupon complaining say:

1.

Your petitioners were depositors and creditors of the First National Bank of Dublin at the time it failed and went into liquidation on September 24, 1928, as hereafter stated and during the time of the acts herein complained of.

2.

That the said First National Bank of Dublin was heretofore the owner and in possession of real estate in Laurens

County, Georgia, fully set out and described in a certain deed, hereafter referred to as deed No. 1, and recorded in Deed Book 60, page 66 at seq. records of Laurens County, Georgia, briefly referred to as follows:

Deed No. 1. 16 acres in Dublin, Georgia, having seven new dwelling houses thereon, 163 acres in 12th Land District of said County, the Northern one-half of Lot No. 162, 88 acres of the Southwestern part of lot No. 164, the Northeast half of lot No. 137 in the same district and County, one-half of lot No. 222 in the 17th Land District, lots 57, 74 and the Southwest half of 75 in the town of Rentz, lot No. 11 in Block G, Syndicate Land Lot survey of Bellevue Park, Dublin, Georgia, a one-half undivided interest in one-half of lot No. 50 and 96½ acres of lot No. 49 in the Second Land District, a one-half undivided interest in parts of lots Nos. 64 and 47 in the Second Land District, a one-half undivided interest in 75 acres of lot 48 in the same district, a one-half undivided interest in the Burney survey No. 1 in lot No. 107 in the Second Land District, 62½ acres in lot 77 in the same district, 2¼ acres in lot 64 of the same district, lot No. 10 in Block G, of the map of Bellevue Park, Dublin, Georgia, 91¼ acres of lot 44 in the Second district, 101¼ acres of lot No. 74, 50 acres of No. 66 in the same district, another 50 acres in lot No. 66, Eastern one-half of lot 21, containing 101¼ acres in the First District, a tract on the North side of Academy Avenue, Dublin, Georgia, known as the Thomas Peters, Jr. residence, 75 acres parts of lots 212, 213 in the First Land District, 121 acres

in lots 129, and 167 in the First district, tract located on Washington Street, Dublin, Georgia, known as the J. O. Johnson home place, one-half of that parcel of land in the 1338th district, containing 202⅛ acres, known as the Warren Wilkes lands and 743 acres in the same district known as the J. Neil McLeod lands, that tract in the 52nd District containing 207 acres, lot No. 67 in Block 5 of the Grier Survey of the T. R. Hudson property, Dublin, Georgia, 140 acres in the 52nd District conveyed to Mrs. Virginia Moore by Beacham and Pritchett, 3 acres in the said district known as the J. Ira Moore Place, the Oconee Investment Company lands on the Oconee River, the Southwest corner of Block 33 of the Pew Survey of Dublin, Georgia, situated on Franklin and Jackson Streets, fronting 65 feet on Jackson Street and running back an equal width on Franklin Street a distance of 55 feet, a tract on the South East corner of Jefferson Street and Cleveland Avenue running East on Cleveland Avenue 165 yds., a lot 100 feet by 500 feet on Bellevue Avenue known as the T. H. Smith place, lot No. 5 of the J. T. White property in Dublin, Georgia, 10 acres on Telfair Street, a one-half undivided interest in the Patillo Property on North side of Gaines Street, Dublin, Georgia, a one-half undivided interest in the livery stable property situate on the West side of Laurens Street, Dublin, Georgia, one-fourth of an acre on Telfair Street known as the Mrs. Sue Tillery lot, section No. 1 of lot No. 277 in the 17th land district, containing 52.77 acres, part of lot No. 65, Dublin, Georgia, on Jackson and Bainbridge

Streets, four-fifths undivided interest in a tract of 170 acres in the 1338th district known as the R. T. Beacham Old Place.

Also certain real estate fully described in a deed hereafter referred to as Deed No. 2, recorded in Book 61, page 363, records of Laurens Superior Court, briefly referred to as follows:

Deed No. 2. Part of lot No. 38 fronting on Jackson Street 54 feet and running back 187 feet, Dublin, Georgia, and a tract on the river road containing 196 acres, bounded on the North by Mrs. Rebecca Johnson, East by Oconee River, South by J. B. Burch, West by River Road.

Also certain real estate more fully described in a deed hereafter referred to as Deed No. 3, recorded in Book 61, page 421 et. seq., records of Laurens Superior Court, briefly referred to as follows:

Deed No. 3. A portion of lot 55 in Block 38 lying between the City Hall and the Street and Powel property whereon is located the business of the Marshall-Peacock Company, Chevrolet dealers, Dublin, Georgia, and a tract on the Northwest side of the Court House Square and on the Northwest corner of Jackson and Jefferson Streets, Dublin, Georgia, known as part of lot No. 59 in Block 42 known as the Henry building, and a tract in Dublin, Georgia, whereon is located the brick building known as the Parr & Wood Furniture Company's place of business, fronting 23 feet on Jackson Street and running back an equal width of 200 feet, and improved property in

Dublin, Georgia, known as Nos. 211, 213 on the North side of Jackson Street, fronting 55 feet on that Street and running back an even width 380 feet, and a tract fronting on Court House Square, Dublin, Georgia and being lot 9 in Block 39, of the Guyton Survey, said lot facing Jackson Street 30 feet and having a uniform depth of 124.3 feet, and that improved property in Dublin known as Nos. 201, 203, and 205 Jackson Street, being lot at the Northwest corner of Jackson and Laurens Streets, fronting 75 feet on Jackson Street and running back of even width 115 feet.

Also certain real estate more fully described in a deed hereafter referred to as Deed No. 4, recorded in Book 61, page 144, records of Laurens Superior Court and briefly referred to as follows:

Deed No. 4. Tract of 7¼ acres in Dublin, Georgia, bounded on the East by the Dublin Public School and Washington Street, South by Hudson Street, West by Mrs. Robinson and J. W. Scarborough, North by Autry, Higgins and Foster.

Also certain real estate more fully described in a deed hereafter referred to as Deed No. 5, recorded in Book 61, page 312, records of Laurens Superior Court and briefly referred to as follows:

Deed No. 5. Tract fronting 70 feet on the North side of Johnson Street and running back 180 feet, and a lot fronting 70 feet on the South side of Johnson Street, and a lot fronting 50 ft. on the North side of Gaines Street, and a lot fronting

170 feet on North Jefferson Street, with a depth of 244 feet, and lot No. 5 of a plat of record in Book 24, page 431, and lot No. 6 of the same plat and survey, and a lot at the Southwest corner of Decatur Street and Williams Street, and a lot in the shape of a right angle parallelogram 50 x 100 feet on Decatur Street.

Also certain real estate more fully described in a deed hereafter referred to as Deed No. 6, recorded in Book 61, page 123, records of Laurens Superior Court and briefly referred to as follows:

Deed No. 6. A tract on the South side of Gaines Street, fronting Gaines Street 64 feet and extending back 205 feet.

Also certain real estate more fully described in a deed hereafter referred to as Deed No. 7, recorded in Book 61, page 423, records of Laurens Superior Court, and briefly referred to as follows:

Deed No. 7. Described as lot 55, Cadwell, Georgia, fronting Dexter and Burch Streets, except the part occupied by the Cadwell Banking Company.

Also certain real estate more fully described in a deed hereafter referred to as Deed No. 8, recorded in Book 61, page 576, records of Laurens Superior Court, and briefly referred to as follows:

Deed No. 8. A tract of land situated on the Southwest corner of Jefferson and Madison Streets, Dublin, Georgia, known as the First National Bank Building.

Also certain real estate more fully described in a deed hereafter referred to as Deed No. 9, recorded in Book 60, page 481, records of Laurens Superior Court, and briefly referred to as follows:

Deed No. 9. Two lots in the City of Dublin, known as lots 154 and 156 in Block 46 of the Arthur Pew Survey, located on Jackson and Laurens Streets, and City lots 3, 4, 5 and 6 in Block 122, and a lot on the East side of Jefferson Street, fronting 57 feet on that street and 500 acres of land in the 52nd district, known as the Brantly home place.

Said property is fully described by metes and bounds in the deeds referred to and in a certain legal advertisement hereafter referred to which petitioners will offer to the court to more particularly identify and locate said property, inasmuch a more particular description in this petition would make it very voluminous.

Petitioners show that the property described in the preceding paragraphs was sold to the Southern Realty Company by the First National Bank, this Company giving its notes for the same and a security deed over the property for the purchase price. The Southern Realty Company was a corporation organized for the sole purpose of holding real estate belonging to the First National Bank. It had no assets other than the said real estate purchased from said bank except capital stock of $5000. The security deeds given by the Southern Realty Company were properly recorded on the records of Laurens Superior Court.

The said First National Bank transferred, conveyed and assigned the aforementioned deeds and the land therein described to the said Federal Reserve Bank on the dates and for the purposes hereafter given. The assignments being substantially in the following form: For value received the undersigned, First National Bank of Dublin, Georgia, has transferred, conveyed, set over and assigned, granted and sold unto the Federal Reserve Bank of Atlanta all and singular its right, title and interest in and to the within and attached deed to secure debt, together with all rights of the undersigned arising under and by virtue of said deed. The undersigned does also grant, bargain, sell and convey the lands and its interest therein.

The First National Bank purported to make the assignment and conveyance to the Federal Reserve Bank to the lands described in Deed No. 1 on May 31, 1927, and purported to be conveyed along with two notes secured by said deed executed by the Southern Realty Company to the First National Bank, both of said notes having been dated April 28, 1927 and due December 31, 1927, one of said notes for the principal sum of $280,705.16, and the other for the principal sum of $11,520.00.

The First National Bank purported to transfer and convey deed No. 2 and the land therein described to the Federal Reserve Bank on June 26, 1928 and the note purported to be secured by said deed executed by the Southern Realty Company to the First National Bank for $24,790.00, dated May 4, 1928, due November 4, 1928.

The First National Bank purported to transfer and convey deed No. 3 and the property therein described to the Federal Reserve Bank on June 29, 1928 and the two notes secured by deed executed by the Southern Realty Company to the First National Bank aggregating the principal sum of $392,364.66 due on December 31, 1928.

The First National Bank purported to transfer and convey deed No. 4 and the land therein described to the Federal Reserve Bank on August 31, 1928, and the note secured by said deed executed by the Southern Realty Company to the First National Bank of Dublin for $9,787.75 due September 19, 1928.

The First National Bank purported to transfer and convey deed No. 5 and the property therein described to the Federal Reserve Bank on June 26, 1928 and the note secured by said deed executed by the Southern Realty Company to the First National Bank of Dublin for the principal sum of $4,300.00 due on October 1, 1928.

The First National Bank purported to transfer and convey deed No. 6 and the land therein described to the Federal Reserve Bank on August 31, 1928 and the notes secured by said deed executed by the Southern Realty Company to the First National Bank for the principal sum of $2,175.00 due on June 28, 1928.

The First National Bank purported to transfer and convey deed No. 7 and the land therein described to the Federal Reserve Bank on September 13, 1928, and the note secured by said deed executed by the Southern Realty Company to the First National

Bank for the principal sum of $3,000.00 due December 31, 1928.

The First National Bank purported to transfer and convey deed No. 8 and the land therein described to the Federal Reserve Bank on August 29, 1928, and the notes secured by said deed executed by the Southern Realty Company to the First National Bank for the principal sum of $175,000.00, due December 31, 1928.

The First National Bank purported to transfer and convey deed No. 9 and the land therein described to the Federal Reserve Bank on December 5, 1927, and the note secured by said deed executed by the Southern Realty Company to the First National Bank for the principal sum of $150,000.00 due May 30, 1928.

3.

The said First National Bank was a national banking association with a capital stock of $200,000.00 heretofore engaged in business and having a place of business in Dublin, Georgia, and on September 24th, 1928, being insolvent it closed and discontinued business and was taken in charge by the National Bank Examiner who continued in charge until a receiver was appointed and took charge. H. W. Whitman took charge as receiver and is now in charge of the affairs of the said First National Bank and it is on account of the transactions - between the said First National Bank and the Federal Reserve Bank with reference to the aforesaid securities and real estate and other security collateral that petitioners complain as they herein show the court.

4.

That sometime during the year 1927 the First National Bank organized and caused to be organized a corporation known as the Southern Realty Company with the object of this corporation to take over and hold the real estate belonging to the First National Bank and upon its organization the First National Bank purported to sell this corporation the said real estate, making it a warranty deed and received back from it a deed to secure debt for the purchase price and no money actually changed hands in the transaction. The Southern Realty Company was from its inception and continue to be a corporation merely holding this real estate without any other assets except capital stock of $5000. than that which was acquired by this purchase of real estate. The active officers of the First National Bank were also the active officers of the Southern Realty Company and there was no actual change in the possession of this real estate other than nominal. The possession and management of the same continued in the same manner and tenants of the property paying their rent in the same way as they had when the property belonged to the First National Bank but the receipts were entered on the books in the name of the Southern Realty Company but to all intents and purposes the property continued the property of the First National Bank and as assets of that bank.

5.

Petitioners show that though the said Federal Reserve Bank was transferree and holder of the real estate set out in paragraph two, that it did not have the transfers and conveyances recorded in the Clerk's office of Laurens Superior Court, the County in which said property was located, until after said First National Bank had closed and was taken in charge by the Receiver, all said transfers and conveyances being recorded at various dates after the receiver had taken charge of said bank and good faith requiring the recording of said conveyances, they were purposely and willfully with held from record and though they were taken at a time when the First National Bank was insolvent and so known to both of the banks, as will be more fully shown herein, and thereby notice to existing and subsequent creditors of the First Bank, in order that said First National Bank might have a ficticious credit to which it was not entitled.

6.

Petitioners show that at the time the Federal Reserve Bank received these securities the First National Bank was in a weak financial condition but the same was not known to petitioners but was known to said Federal Reserve Bank and said Federal Reserve Bank knew that if the public and customers of said First National Bank knew this vast amount of

collateral was transferred to and held by the said Federal Reserve Bank, the record of which would have given such notice to the public and customers of the bank, that the customers of said First National Bank both present and prospective ones would have immediately ceased to do business with the bank and ceased making any deposits in said bank and your petitioners and other similarly situated would have been saved loss and damage thereby, Nevertheless on account of they not having this notice and not having knowledge of the condition of the bank they would have acquired by said notice they did continue to make deposits in said bank right up until the day of its closing, the common creditors of said bank thereby loosing a larger amount as will be later shown.

7.

Petitioners further show that as early as December 5th, 1927, when the First National Bank transferred and conveyed to the Federal Reserve Bank the security described in deed number nine a debt secured thereby made by the Southern Realty Company for $150,000.00 due May 30th, 1928, both banks knew this debt could not be paid at maturity and was not paid at maturity. Both banks knew that the Southern Realty Company had no assets whatever other than the property conveyed as security and that upon maturity of the debt it would necessarily have to be renewed both by the Southern Realty Com-

pany and the First National Bank. Both banks further knew that not only could the Southern Realty Company not pay this debt at maturity but that the First National Bank who was endorser on the paper could not pay it at maturity. Likewise, on May 31, 1927, when said First National Bank transferred and conveyed to the Federal Reserve Bank the security described in deed number one, the debt secured by said deed being two notes dated April 28th, 1927, and due December 31st, 1927, one of said notes being for the principal sum of $280,705.16, the other one for the principal sum of $11,520.00, both of said banks knew for the reason herein given that the Southern Realty Company could not pay this debt when it became due and did not pay it and the First National Bank was not able to pay it after it became due, that they knew that a renewal of the same was merely a postponement of the time of final reckoning. Nevertheless the said Federal Reserve Bank continued to acquire and receive security of the First National Bank by taking transfers and conveyances of same on June 26, 1928; June 29, 1928; August 29, 1928; August 31, 1928 and September 13th, 1928, as have been more fully setforth above. The result was that the Federal Reserve Bank became possessor of all the real estate holdings of the First National Bank representing securities in excess of one million dollars leaving none of the real estate own by the First National Bank in its hand. It did likewise take other security from said bank, And whether the sureties of the real estate was taken for a bona fide debt or not, nevertheless the taking over and holding of same and con-

cealing this fact from the customers of the bank misled them and the withholding of same from record was done for the purpose of concealing this knowledge from the petitioners and other creditors similarly situated and for the purpose of misleading and did mislead them, and such purpose was in law fraud on petitioners.

8.

Petitioners further show that the taking of this large amount of securities was not usual and customary transaction on the part of the Federal Reserve Bank with a bank of the size and condition of the First National Bank and was not taken with a view of same being rediscounted by the Federal Reserve Bank and paid in due course, but with the purpose and intent of the Federal Reserve Bank acquiring all the security and having same at the time that the First National Bank should fail in order that the Federal Reserve Bank might be a creditor preferred above other creditors, and the Federal Reserve Bank knowing that at the time had the transfers been known by the public that then the customers of the First National Bank would discontinue their business with it and for this and other reasons herein setforth the conveyances were fraudulent and as to petitioners null and void; that the Federal Reserve Bank should not be allowed to hold said conveyances but they should be returned to the receiver for administering and prorating of the funds received on same among all creditors.

9.

Petitioners show that early in the summer of 1928 both the Federal Reserve Bank and the First National Bank had acquired knowledge that the First National Bank was in a weak financial condition and that the debt held by the Federal Reserve Bank and executed by the Southern Realty Company and endorsed by the First National Bank which had become due on December 31st, 1927, and on May 30th, 1928, as herein shown was not paid at maturity by either the maker or endorser and could not be paid by either and were renewed before the date of maturity in order to keep same from becoming due and remaining unpaid, but nevertheless the holding of such debt by the Federal Reserve Bank at the date of maturity and the inability of either party at the regular date of maturity of same to pay same was in fact an act of insolvency on the part of the First National Bank and after the commission of such acts of insolvency and in contemplation of insolvency the First National Bank transferred and conveyed a large portion or the whole of these securities to the Federal Reserve Bank to further secure the Federal Reserve Bank for a debt or debts then owing the Federal Reserve Bank by the First National Bank and in violation of Section 5242 of the revised statute of the United States regulating the business of National banks and such was done with a view of preventing an application of the assets in the manner prescribed by law and or with view to preference of the Federal

Reserve Bank to other creditors. Petitioners can not say what portion of these securities or real estate was transferred for an existing debt but allege that a portion of them were, and especially those transfers made near the period of the closing of the bank. Petitioners are not able to obtain full information on this point as information on same is with held by the receiver of the First National Bank and representative of the Federal Reserve Bank in charge of its business at Dublin, Georgia. Petitioners do allege that a very little, if any, present consideration passed from the Federal Reserve Bank to the First National Bank in the period from June 30th to the day of the closing of the bank, and yet during this period and after the commission of the acts of insolvency herein referred to and in contemplation of insolvency and in violation of the statute and with the purpose above recited, a vast amount of other security passed from the First National Bank to the Federal Reserve Bank. Petitioners show that at the close of business on June 30th, 1928, the condition of the First National Bank as represented to the Comptroller of the Currency and as published shows loans and discounts of $1,489,966.01, bills payable including all obligations representing borrowed money of $47,000.00 notes and bills rediscounted were $506,624.15, which would indicate that at that time the First National Bank had unpledged assets of eight or nine hundred thousand dollars, Petitioners believe that this report correctly reflected the condition of the First National

Bank at that date, nevertheless at the date of the closing of the bank the Federal Reserve Bank held assets of the First National Bank of the vast value of approximately $1,200,000.00 for the purpose of securing an indebtedness of approximately $565,000.00. Petitioners believe and allege on account of facts published and other facts herein setforth a great deal of these assets were transferred and conveyed to the Federal Reserve Bank during this period and contrary to law as above setforth. Petitioners can not specify in detail just what notes, collateral or other assets were transferred during this period in as much as such information is withheld by the authorities of the two banks and by the Comptroller's Office. They can allege however and believe they can prove that including in this vast amount of assets transferred including some of the real estate above referred to was $30,000.00 in liberty bonds of the value of ## $30,000.00 transferred to secure an existing indebtedness in violation of the law above setforth. At the time of the close of the First National Bank the unpledged assets of the bank only amount to approximately $363,000.00. Petitioners believe that no transfers or conveyances were made to any other bank or parties during this period other than the Federal Reserve Bank in as much as practically all of the business transactions with any other bank by the First National Bank was done with the Federal Reserve Bank.

10.

Petitioners further show as additional evidence of the

condition of the First National Bank and of the knowledge of it on the part of the Federal Reserve Bank and of the purposes and schemes on the part of both banks to prefer the Federal Reserve Bank and to defraud petitioners that the latter part of June or the first of July, 1928, the Federal Reserve Bank selected a man to be in the active charge of the First National Bank and required of the First National Bank that he be placed in charge of the office of said bank, and this party, H. S. Day, was on July 6th of that year elected Vice-President and cashier of the First National Bank by the directors of that bank and placed in active charge of the bank and he was in effect, petitioners allege and believe, a representative and agent of the Federal Reserve Bank in charge of the First National Bank after that date, and part of his duties was to protect the interest of the Federal Reserve Bank and to see that the most valuable parts of the assets of the First National Bank were transferred and conveyed to the Federal Reserve Bank and the transfers and conveyances above referred to under date of August 29th, 1928, August 31, 1928, and September 13th, 1928, were executed on the part of the bank by H. S. Day, as Vice-President and cashier, and J. E. Freeman as Vice-President. It did in fact appear that at the close of said bank as above stated the only assets unpledged remaining to the First National Bank consisted of approximately $363,000.00, much of which was of doubtful value and a great portion of which was

classified by the receiver as worthless and a great deal as doubtful and a small portion good. It was known at the time that H. S. Day took charge of the bank that among the assets was a debt owed by the Dublin Creamery of $105,000.00 which was entirely worthless and this asset was left among the assets of the First National Bank along with much other of similar character, while the valuable assets had gone to the Federal Reserve Bank.

11.

Petitioners show as further ovidence of the way that they were misled and as a part of the scheme to take advantage of them and defraud them, that on its assuming the charge of the First National Bank by the said H. S. Day, the First National Bank issued a public statement which was published in the Courier Herald, a newspaper published and circulating in Laurens County, stating that he considered this bank and section had a great future and he intended to make this bank his life work and the statement coming from the bank that the bank had grown so that the present executive force needed well trained banking help under modern banking conditions now existing with the Federal Reserve Bank and that H. S. Day came very highly recommended by the National Bank Examiner of this district. This statement purported to be issued by F. G. Corker, President of the First National Bank, but petitioners allege and believe that this statement was inspired by the officers of the Federal Reserve Bank and they suggested the announcement and it was made

with knowledge on their part that such statement at least in substance would be made and petitioners show that the statement was calculated to mislead and did mislead the customers of the First National Bank and existing and subsequent creditors, and petitioners give this as a further reason why the conduct on the part of the Federal Reserve Bank in reference to withholding from record the sureties on the real estate held by them was fraud on them and null and void as to them as it amounted to holding out of the First National Bank by the Federal Reserve Bank as a sound institution when in fact it was not and it knew that it was not, and that the Federal Reserve Bank then held the most valuable parts of the assets and contemplated securing more of such assets and that the future of the First National Bank was entirely in the hands of the Federal Reserve Bank and at anytime they refused to carry and further extend financial help to the First National Bank or to extend the maturity dates of its obligations that it held that the First National Bank would be compelled to close its doors.

Petitioners further show that the First National Bank since it closed has proven to be absolutely insolvent and it can not and will not pay but a small proportion of its indebtedness and after a year in liquidation it has paid one dividend of five per cent and that within the last ten days.

13.

Petitioners show that there were a great number of depositors

in the First National Bank whose aggregate deposits amounted to approximately $800,000.00 and a great many of them were creditors, existing and subsequent, to the acts herein complained of and which they claim were fraud and null and void as to them, and petitioners bring this petition on behalf of themselves and other depositors and creditors who are similarly situated.

14.

Petitioners further show that they are denied access to the books and records of the First National Bank so as to possibly more specifically set forth their cause of complaint and to make proof of same and that if such condition continue they be granted an order by this court if need for it arises, an order requiring the receiver of the First National Bank to allow them access to and an inspection of the records of the bank as may be reasonable at such time and under such direction of the court as the court deems proper.

15.

Petitioners further show that they have requested the Comptroller of the Currency, the receiver of the First National Bank and the First National Bank to bring this action and they have failed and refused to do so. And petitioners further show that it was a needless thing on their part to make such request inasmuch as they knew that there was no liklihood of its being done, that apparently there is the fullest co-operation between these parties and the Federal Reserve Bank. And the Receiver

and Comptroller General apparently entertain no idea of calling on the Federal Reserve Bank to account and to surrender any of the assets or to refrain from the acts complained of.

16.

Petitioners further show that the Federal Reserve Bank is advertising all of the real estate herein referred to, to sell at public sale on Tuesday, December 3rd, 1929, under a power of sale contained in said deed, and petitioners show that for the reasons set forth that said bank should not be allowed to make said sale and change the status of said property until this complaint is heard. Petitioners show that most of this property is very valuable and consist of some of the choicest business property in the City of Dublin, and one piece of property is the First National Bank Building, a banking and office building six stories high and a building equipped at a large expense and is the same property referred to in the transfer to the Federal Reserve Bank of August 29th, 1928.

17.

Petitioners believe that the sale of the property under all the circumstances would not bring a fair value at this time and the Federal Reserve Bank proposes to sell all of this property in separate parcels and thereafter to sell same as a whole and under such circumstances the Federal Reserve Bank by reason of the amount involved would be the only purchaser and almost at their own price and petitioners show that they are without remedy ex-

cept in a court of equity.

WHEREFORE, expressly waving discovery from the defendants but praying that they be required to make answer hereto but not under oath, plaintiffs pray that they be granted such relief as may be appropriate in the premises, and as a part of such relief for the court to (a) adjudge and decree that all transfers and conveyances herein referred to from the First National Bank to the Federal Reserve Bank be declared null and void and fraudulent as to petitioners, and that said securities on said real estate be returned to the Receiver of the First National Bank to be administered by him for the benefit of all the creditors of the bank, (b) that petitioners and such others as may make themselves party plaintiffs to this action recover of the Federal Reserve Bank for use of all the creditors of said bank such notes, collaterals and other assets as may be found to have been transferred to the Federal Reserve Bank in violation of the provisions of law as contained in Section 5242 of the revised statute which transfers were null and void for the reasons herein set forth, and that same be administered by the receiver of the bank for the benefit of the creditorsof the bank and that an accounting be had between the parties to determine what assets were themselves transferred in violation of the law, (c) that the court restrain the said Federal Reserve Bank from selling the real estate or changing the status of same until the further order of this court, (d) that subpoena may issue requiring the Federal Reserve Bank of Atlanta and the said H. W. Whitman, as Receiver, to make an answer but not under oath to the allegations of this complaint.

C. C. Crockett
Attorney for the plaintiffs.

GEORGIA , LAURENS COUNTY

Personally appeared O. H. Cheek and _____ who on oath say that the facts stated in said bill are true except insofar as stated on information and belief and as to all such excepted matters deponents are informed and believe same to be true.

(Signed O. H. Cheek

_____

Sworn to and subscribed before
me this 30 day of Nov. 1929

(Signed) E. S. Baldwin Clerk
Superior Court Lau.Co.Ga.

The within petition is sanctioned and ordered filed. Let the defendants show cause before me in Atlanta, Ga., at 10A.M. Dec. 7, 1929, why the injunction should not issue as prayed. Let service be made forthwith on the defendants. This Dec. 2, 1929.

(signed) Saml H. Sibley

U. S. Judge.

DISTRICT COURT OF THE UNITED STATES OF AMERICA

NORTHERN DISTRICT OF GEORGIA

ATLANTA DIVISION

T. C. BOBBITT, O. H. CHEEK, MRS. W. S. PHILLIPS, R. F. GARNER and S. L. VEAL Complainants.	
vs.	IN EQUITY No. 5 5 0
FEDERAL RESERVE BANK OF ATLANTA and H. W. WHITMAN, AS RECEIVER FIRST NATIONAL BANK OF DUBLIN, GEORGIA. Defendants	

THE PRESIDENT OF THE UNITED STATES OF AMERICA

TO FEDERAL RESERVE BANK OF ATLANTA and H. W. WHITMAN AS RECEIVER OF THE FIRST NATIONAL BANK OF DUBLIN, GEORGIA - - - - - - - - - - - - - - -

FOR CERTAIN CAUSES offered before the Judge of the District Court of the United States for the Northern District of Georgia, IN EQUITY, you, and each of you -, are hereby commanded to be and appear and to cause to be filed and entered for you in the Clerks' Office of the said Court, in the City of ATLANTA Georgia, within twenty days from the day of the date hereof, an answer or other defense to those things which shall then and there be objected to you by the bill of complaint of T. C. BABBIT, O. H. CHEEK, MRS. W. S. PHILLIPS, R. F. GARNER and S. L. VEAL - - - - - - - - - - - - - - - - - and to do further, and receive what the said Court shall have considered in this behalf, and this you may in nowise omit, under penalty of

judgment being pronounced against you by default.

WITNESS, the Honorable SAMUEL H. SIBLEY, Judge of the District Court of the United States for the Northern District of Georgia, this 3rd day of December, in the year of our Lord one thousand nine hundred and twenty nine.

(Signed) O. C. Fuller, Clerk

By ----------, Deputy Clerk.

MEMORANDUM,- The defendants are required to file their answer or other defense in the suit above stated, in the CLERK'S OFFICE, on or before the twentieth day after service of this Writ of Subpoena, excluding the day thereof, otherwise the bill may be taken pro confesso.

The defendant need not appear personally but may appear by Solicitor.

O. C. Fuller, Clerk

COPY X-6515

IN THE DISTRICT COURT OF THE UNITED STATES,

FOR THE NORTHERN DISTRICT OF GEORGIA,

ATLANTA DIVISION.

T. C. BOBBITT, ET AL,

VS

FEDERAL RESERVE BANK OF ATLANTA, ET AL.

No. _____.

IN EQUITY.

RESPONSE OF THE DEFENDANT, FEDERAL RESERVE BANK OF ATLANTA, TO THE RULE NISI OF THE COURT, DATED December 2, 1929.

Comes now Federal Reserve Bank of Atlanta, one of the defendants in the cause above styled, and makes this its response to the rule nisi entered herein on December 2, 1929 by this Honorable Court, requiring the defendants in said action to show cause why an injunction should not issue as in complainant's bill prayed, and, for such response, says:

- 1 -

This defendant can neither admit nor deny the averments of paragraph 1 of said bill.

- 2 -

In response to paragraph 2 of said bill, this defendant says that it is true that the First National Bank of Dublin formerly owned certain real estate in Laurens County, Georgia, consisting of property, improved and unimproved, in the City of Dublin and a number of farms. The holdings of said First National Bank of Dublin exceeded, in number,

fifty separate tracts and/or farms. Said paragraph 2 appears to contain a general description of said property. It is true that the former real estate holdings of said First National Bank of Dublin (except such thereof as have heretofore been sold either by it or by Southern Realty Company, its successor in interest and title) are fully described in a certain legal advertisement referred to in said paragraph. This defendant further says in response to paragraph 2, that the real estate of said First National Bank of Dublin was heretofore by it sold to a corporation known as Southern Realty Company, and that security deeds were executed by said Southern Realty Company securing the payment of notes given by it to said First National Bank of Dublin and representing all, or substantially all, of the purchase price of said properties. This defendant is informed and believes that the said Southern Realty Company was organized for the purpose of taking over said real estate holdings of said First National Bank and operating the same, and this defendant is further informed and believes that said Southern Realty Company has no assets other than said real estate and personal property, such as live stock, farming equipment, tools, machinery, agricultural products and choses in action, like notes and accounts receivable of relatively nominal value.

This defendant further says that on April 28, 1927 said Southern Realty Company made and executed to First National Bank of Dublin a deed conveying a number of said properties, which deed was recorded on the 29th day of April, 1927 in Deed Book 60, at pages 66 et seq. Laurens County Records. Said deed was made to secure an indebtedness for the then principal sum of $280,705.16. Shortly thereafter, to-wit, on May 31, 1927, the said deed to secure debt, and all of the

right, title and interest of said First National Bank of Dublin in and to the lands conveyed thereby, as well as the rights of said First National Bank of Dublin arising under said deed, were granted, transferred, assigned and conveyed to Federal Reserve Bank of Atlanta.

On November 30, 1927 said Southern Realty Company made another deed to secure debt to said First National Bank of Dublin, which deed was recorded on November 30, 1927 in Deed Book 60, at page 481, Laurens County Records. Said deed was made to secure the payment of an indebtedness then aggregating $150,000.00, and the same was on December 5, 1927, transferred and assigned to said Federal Reserve Bank of Atlanta, together with all the right, title and interest of said First National Bank of Dublin in and to the lands conveyed thereby, as well as all rights of said First National Bank arising thereunder. Said deed also conveyed certain of said properties.

On February 28, 1928 said Southern Realty Company executed a security deed to said First National Bank of Dublin, conveying certain of said properties to secure an indebtedness for the then principal sum of $2,175.00, which deed was recorded in Deed Book 61, at page 123, Laurens County Records. Said deed was, on August 31, 1928, transferred assigned and conveyed to said Federal Reserve Bank of Atlanta, together with all the right, title and interest of said First National Bank of Dublin in and to the lands conveyed thereby, as well as all rights of said First National Bank arising under said deed.

On March 20, 1928 said Southern Realty Company made to said First National Bank of Dublin a deed to secure debt, which deed was recorded in Deed Book 61, at page 144, Laurens County Records. Said deed conveyed certain of said properties and the same, together with all of

the right, title and interest of said First National Bank in and to the lands conveyed thereby, as well as all rights of said First National Bank arising under said deed, were on August 31, 1928 granted, transferred, assigned and conveyed to said Federal Reserve Bank of Atlanta. Said deed was made to secure an indebtedness for the then principal sum of $9,787.75.

On March 14, 1928 said Southern Realty Company executed to said First National Bank of Dublin another security deed, which was recorded in Deed Book 61, at page 255, Laurens County Records. Said deed conveyed certain of said properties and the same was, on the _____ day of _____, 1928, transferred, assigned and conveyed to said Federal Reserve Bank of Atlanta, together with all of the interest of said First National Bank of Dublin in and to the lands conveyed thereby and all rights of said First National Bank of Dublin arising under said deed. Said deed was made to secure an indebtedness for the then principal sum of $_____.

On May 4, 1928 said Southern Realty Company made and executed to said First National Bank of Dublin a deed to secure debt, conveying certain of said properties, which said deed was recorded in Deed Book 61, at page 363, Laurens County Records. Said deed was made to secure an indebtedness for the then principal sum of $24,790.00, and said deed, together with all of the right, title and interest of said First National Bank of Dublin in and to the lands conveyed thereby, as well as all rights of said First National Bank arising under said deed, were transferred, granted and conveyed to said Federal Reserve Bank of Atlanta on June 26, 1928.

On May 14, 1928, said Southern Realty Company conveyed to said

First National Bank of Dublin certain of said properties by deed recorded in Deed Book 61, at page 312, Laurens County Records. Said deed was made to secure an indebtedness for the then principal sum of $4300.00, and said deed, together with all of the right, title and interest of said First National Bank of Dublin in and to said lands, as well as all rights of said First National Bank arising under said deed, were, on June 26, 1928, granted, transferred, assigned and conveyed to said Federal Reserve Bank of Atlanta.

On June 14, 1928 said Southern Realty Company conveyed to said First National Bank of Dublin certain of said properties by a deed which was made to secure an indebtedness for the then principal sum of $3,000.00. Said deed was recorded in Deed Book 61, at page 423, Laurens County Records, and the same, together with all the right, title and interest of said First National Bank of Dublin in and to the lands conveyed thereby, as well as all rights of said First National Bank arising under said deed, were granted, transferred, assigned and conveyed to Federal Reserve Bank of Atlanta on September 13, 1928.

On June 14, 1928 said Southern Realty Company executed its deed to said First National Bank of Dublin, which deed was made to secure an indebtedness for the then principal sum of $175,000.00. Said deed was recorded in Deed Book 61, at page 576, Laurens County Record, and the same conveyed the property at the southwest corner of Madison and Jefferson Streets in the City of Dublin known as the first National Bank Building. Said deed, as well as all of the right, title and interest of said First National Bank of Dublin in and to the property conveyed thereby and all the rights of said First National Bank of Dublin arising under said deed, were granted, transferred, assigned and conveyed to said Federal Reserve

Bank of Atlanta on August 29, 1928.

On June 22, 1928 said Southern Realty Company made to said First National Bank of Dublin a certain deed, conveying a number of said properties, which deed was executed to secure an indebtedness for the then principal sum of $392,364.66. Said deed was recorded in Deed Book 61, at pages 421, et seq. Laurens County Records, and said deed, together with all the right, title and interest of said First National Bank of Dublin in and to the lands conveyed thereby, as well as all rights of said First National Bank arising under said deed, were on June 29, 1928 granted, transferred, assigned and conveyed to said Federal Reserve Bank of Atlanta.

Any averments in paragraph 2 of complainant's bill in conflict with the admissions and averments made and set up in this section of the answer are denied.

- 3 -

In response to paragraph 3 of said bill, this defendant says that it is true that on September 4, 1928 the affairs of said First National Bank of Dublin were taken over by the Comptroller of the Currency of the United States, pursuant to the statutes for such cases made and provided, and that a receiver, duly appointed by the Comptroller of the Currency, is now in charge of the affairs of said bank and is liquidating the same.

- 4 -

In response to paragraph 4 of said bill, this defendant says, upon information and belief, that it is true that Southern Realty Company was incorporated and organized in the year 1927, and that the purpose of

organizing said corporation was for it to acquire, operate, manage, hold and sell certain large real estate holdings which said First National of Dublin had theretofore acquired. This defendant is informed and believes that all of the properties mentioned or referred to in Complainants' bill were conveyed by said First National Bank of Dublin to said Southern Realty Company, but as to whether the same were conveyed by one deed or by several deeds this defendant is not informed. This defendant is further informed and believes that said Southern Realty Company paid for said properties no cash, or substantially none, but executed its note, or notes, evidencing its obligation to pay the purchase price of said properties as well as its obligations to reimburse said bank for loans and advances made to said Southern Realty Company and for any other indebtedness due by it to said First National Bank. All of said notes were secured by deeds conveying to said First National Bank certain of the properties aforesaid. This respondent is not informed as to the amount of capital stock issued by said Southern Realty Company, but it is informed, and believes, that the officers and directors of said Southern Realty Company were either officers or directors of said First National Bank. If there be any averments in paragraph 4 of said bill contrary to the statements and averments contained in this section of the answer, the same are denied.

- 5 -

This defendant denies paragraph 5 of said bill as charged, and denies specifically and emphatically that it was in any way or to any extent a party to any fraud upon the creditors of said First National Bank, or anyone else. As will hereinafter more particularly appear, this defendant acquired for full value and under circumstances and for the purposes

hereinafter stated all of the notes made by said Southern Realty Company to said First National Bank and secured by the above mentioned deeds, or any of them. Said notes were taken in the course of the business dealings between said Federal Reserve Bank and its member bank, said First National Bank of Dublin. This respondent says that it is true that it did not have any of the aforesaid transfers of said deeds recorded until after a receiver had taken charge of the affairs and assets of said First National Bank, but it says further that it had the right either to record or not to record such transfers as it might wish, and that, even had said transfers never been recorded, said First National Bank and/or the Receiver in charge of its affairs would hold titles to the lands conveyed by said security deeds in trust for this defendant as the owner and holder of the notes secured, respectively, thereby.

- 6 -

Defendant denies paragraph 6 of said bill. As will hereinafter more particularly appear, liens on or titles to the properties referred to in the original bill were acquired by the Federal Reserve Bank of Atlanta long prior to the closing of the First National Bank of Dublin as security for loans bona fide made to it.

- 7 -

In response to paragraph 7 of said bill, this defendant shows that the same consists largely of immaterial and irrelevant matter, and, for said reason, requires no answer. In so far, however, as said paragraph may be taken as charging relevant or material averments of issuable fact, the same is denied. Defendant denies specifically that it did anything for the purpose of misleading the creditors of said First National Bank of Dublin as in said paragraph of said petition charged.

- 8 -

Defendant denies paragraph 8 of said bill and each and every averment thereof. As will hereinafter more particularly appear, the said notes were taken by said Federal Reserve Bank from said First National Bank of Dublin as collateral and for value in order to aid said First National Bank of Dublin, and all of said transactions were properly within the course of dealings between said two banks.

- 9 -

In so far as paragraph 9 of said bill can be taken as charging any material averment of issuable fact, the same and every part thereof are denied. Hereinafter in this response will be set forth in some detail the circumstances and conditions under which this defendant acquired the notes of said Southern Realty Company so secured as aforesaid.

- 10 -

Defendant denies each and every averment of paragraph 10 of said petition, and denies specifically that it had anything to do with the selection or appointment of H. S. Day as an officer of said First National Bank of Dublin.

- 11 -

Paragraph 11 of said bill consists mainly of averments respecting alleged acts of persons other than this defendant. In so far as said paragraph may be taken as charging anything against this defendant, the same is denied. This defendant denies specifically that it had anything to do with the alleged publication of said statement in said Currier-Herald and denies that it inspired said statement and denies that any of its acts were fraudulent, improper or illegal.

- 12 -

In response to paragraph 12 of said petition this defendant says

that it is true that said First National Bank of Dublin is insolvent. Defendant is without information as to the amount of probable dividends which will be paid by the Receiver of said First National Bank, but defendant believes that but a small proportion of its indebtedness will be liquidated through dividends.

- 13 -

This defendant denies paragraph 13 of said petition.

- 14 -

This defendant is without information as to any of the matters and things undertaken to be set out in paragraph 14 of said bill and, for such reason, neither admits no denies the same. This defendant denies, however, that said complaint sets forth any facts which would entitle the plaintiffs, or any of them, to recover as against this defendant or its co-defendant, the Receiver of the First National Bank of Dublin.

- 15 -

This defendant says that it is true that the Comptroller of the Currency of the United States and the Receiver of said First National Bank of Dublin refused to join in complainants' action. Defendant says further that neither the Comptroller of the Currency nor the Receiver have questioned the propriety or legality of any of the acts of said Federal Reserve Bank referred to in said bill. This defendant denies that there is any conspiracy or combination as between the Federal Reserve Bank and the Comptroller of the Currency or as between it and the said Receiver as charged in said paragraph 15 of said petition. Any cooperation as between said parties has been and is solely to the end that the most possible be realized from the liquidation of the trust which is being administered by the said Receiver under the direction of the Comptroller of the Currency.

- 16 -

Defendant denies paragraph 16 of said petition as charged. It admits that prior to December 3, 1929 it advertised for sale all of the properties covered by the security deeds hereinbefore specifically referred to, said advertisement having been made pursuant to the provisions contained in said deeds and in strict conformity with the same. It is further admitted that this defendant had intended to sell said properties at public outcry to the highest and best bidder, or bidders, for cash. On the day of said proposed sale, to-wit, Tuesday, December 3, 1929, and in the forenoon, information reached the representatives and attorneys of this defendant, then in Dublin for the purpose of conducting said sale, that a bill, seeking to enjoin said sale, had been filed in some court and that the matter would be heard on Saturday, December 7, 1929. The representatives of this defendant, not knowing whether a temporary restraining order had been granted, undertook to secure information and learned of the filing of this bill before this Honorable Court. In order that all due deference might be shown to the Court, even though no restraining order had been issued, said sale was withdrawn. This defendant proposes, however, promptly to re-advertise said premises for sale unless prevented from so doing by the processes of the Court, and it hereby represents to the Court that no injunction should be granted for the reasons herein set forth and that it is important that said properties be sold without further delay. Defendant denies the remainder of said paragraph 16 as charged. It admits that it holds a second mortgage or deed to secure debt covering said First National Building.

- 17 -

Paragraph 17 of said bill is denied as charged. This defendant

admits that it had proposed to offer the various parcels which were advertised as aforesaid in units or as separate tracts, ascertaining the aggregate of the bids therefor, and thereafter to offer all of said properties as a whole, consummating the sale by deeding the properties to the purchaser of the same as a whole or to the respective purchasers of the separate tracts, depending upon whether the bid for all of the properties exceeded the aggregate of the bids for the separate tracts or vice versa. Defendant says that it had a right to so offer the properties, and that to do so was in the interests of all concerned, including the creditors of said First National Bank of Dublin.

- 18 -

And now, having made response to said bill by answering seriatim the various paragraphs thereof and all of the allegations therein contained, this defendant, for further cause why an injunction should not issue as prayed by complainants, shows to the court as follows, to-wit:

- A -

This defendant is one of twelve Federal Reserve Banks established under and by virtue of that certain Act of Congress known as the Federal Reserve Act and now operating pursuant to said Act as from time to time amended. Among the other powers, functions and duties of defendant are the power and duty of lending to its member banks such reasonable sums of money from time to time as such members may apply for, and for the repayment of which defendant may reasonably secure itself. It is the duty of defendant in lending money to its member banks to obtain reasonable security for many reasons, among which is the fact that a large part of the circulating currency of the United States consists of Federal reserve notes which are secured in part, under the terms of said Federal Reserve Act, by eligible

paper acquired by discount or rediscount from its members, said First National Bank of Dublin having been one of the member banks of this defendant.

- B -

Prior to January, 1925 there had been one or more bank failures in the City of Dublin, Georgia, and in the early part of January of that year the Southern Exchange Bank (not being a was in imminent danger of closing and did close on or about January 12, 1925. On January 8, 1925 said First National Bank of Dublin was indebted in a substantial amount to said Federal Reserve Bank, but it was regarded then and subsequently as being solvent and able to continue the performance of its duties to the business community centering in Dublin. On said last mentioned date the Officers and certain of the Directors of said First National Bank of Dublin appeared before the Executive Committee of this defendant and represented to said Committee that said Southern Exchange Bank would doubtless shortly close its doors, in which event trouble might be anticipated in the way of a depositors' run upon said First National Bank. Said Officers and Directors requested of this defendant that there be made available to said bank $200,000.00 in cash in order to withstand said run. This defendant agreed to lend said additional fund to said First National Bank provided it were made secure in the premises. Prior to said date, said First National Bank of Dublin had taken over the affairs of another bank, known as the Dublin and Laurens Bank, assuming the liabilities of the latter and acquiring all of its assets. Among such assets were a number of mortgages or deeds to secure debt covering various properties, as well as certain real estate owned outright, the aggregate of said realty being substantially all of the properties referred to in complainants' bill

except the building known as the First National Bank Building, in which were housed the banking quarters of said bank. This defendant agreed to accept as additional security for said new advance transfers, assignments and conveyances of all of said mortgages or deeds to secure debt which had been so taken over by said First National Bank from said Dublin and Laurens Bank. This respondent thereupon and from time to time thereafter rediscounted for said First National Bank certain of its customers' notes aggregating approximately $200,000.00, or else took the direct notes of said First National Bank, payable to defendant and secured by a pledge or hypothecation of customers' notes, said new indebtedness and the indebtedness thereafter incurred, as well as the then existing indebtedness, being further secured by a transfer of all of said mortgages which said First National Bank then held and which had been acquired from said Dublin and Laurens Bank as aforesaid. Said additional advance of $200,000.00 was made to said First National Bank of Dublin upon the strength of said security. This respondent therefore says that as early as January, 1925 it held for the obligations of said First National Bank of Dublin, then existing or thereafter to be incurred, practically all of the real estate referred to or mentioned in complainants' bill, said collaterals having been taken under the circumstances aforesaid in good faith and for value.

- C -

In November, 1925 this defendant held obligations of said First National Bank of Dublin in a large amount, which obligations consisted of notes rediscounted upon the endorsement of said First National Bank of Dublin and/or notes upon which it appeared as maker and which were secured by collaterals referred to in such notes. In addition, this defendant

held certain general collateral for the protection of any and all obligations of said First National Bank of Dublin, including the notes so secured by mortgages and which had been acquired in January, 1925 as above stated. On November 23, 1925 this defendant authorized the release to said First National Bank of Dublin of all of such additional collateral with the exception of said notes secured by real estate which it retained as its security in the premises.

- D -

From January, 1925 and down to the present time said First National Bank of Dublin has been largely indebted to said Federal Reserve Bank of Atlanta, its said indebtedness during all of that period having been reduced below $200,000.00 only for brief intervals and being at almost all times substantially in excess of that figure. During all of the period aforesaid this defendant has held notes secured by said real estate, as will hereinafter more fully appear. At all times and now this defendant has deemed such real estate security necessary for its own protection and indemnity in the premises. Respondent further shows that the community of which Dublin is the center is largely an agricultural community; that a majority of the inhabitants of said section are engaged in farming and that such thereof as are not engaged in farming are largely dependent for success upon agricultural conditions. Prior to 1925 said First National Bank of Dublin had made many loans, aggregating large amounts, to farmers and others interested in or dependent upon agriculture for a livelihood. Crop failures prior to 1925 had prevented the liquidation of much of this paper, but the Officers of said First National Bank represented to this defendant that with better prospects in agriculture much of said paper could be retired and that said First National Bank, while having much

paper which was slow, would eventually realize on most of the same. It was also represented that the large amount of real estate which had been acquired originally by the taking over of the affairs of said Dublin and Laurens Bank should be held until real estate values might be restored. This hopeful and optimistic attitude continued practically until said First National Bank was forced to close its doors through a lack of liquid resources. But, up to the time of its closing and since, there have been repeated crop failures and general business conditions have not improved to any marked extent. The failure of said First National Bank also occasioned distress and brought about many financial reverses.

- E -

On or about October 10, 1926 the Officers of said First National Bank represented to this defendant that a run upon their institution had been started by malicious rumors and that it would be necessary for said First National Bank to be placed in cash funds to the extent of $300,000.00 in addition to the then large amount which said First National Bank owed to this defendant. Said new advance was made and the failure of said bank was averted. At said time, that is to say, in October, 1926, this defendant took or retained liens on substantially all of the real estate owned by said First National Bank or in which it was interested excepting the building mentioned above and called the First National Bank Building.

- F -

In the early part of 1927 (the exact date not being known to this defendant) said Southern Realty Company was organized, according to the knowledge, information and belief of this defendant, by the officers and directors of said First National Bank for the purpose of taking over all of the real estate holdings of said First National Bank of Dublin and

operating, managing, holding and disposing of the same. This defendant is informed and believes that it was deemed advisable that said First National Bank, being a national banking institution, should so dispose of its real assets, said bank, however, retaining a lien or title to secure the amount which said First National Bank then had invested or had put into said real estate holdings. This defendant desired to co-operate with said First National Bank of Dublin and, thereupon, permitted the mortgages which it then held to be released and discharged upon condition that when and as said Southern Realty Company should execute a new mortgage or deed to secure debt to said First National Bank, the same should forthwith be transferred, conveyed and assigned over to said Federal Reserve Bank to stand in lieu of and in substitution for the mortgages or deeds which it had formerly held. Under date of April 28, 1927 Southern Realty Company made and executed the deed, hereinbefore more particularly described, running to said First National Bank and conveying thirty-two (32) separate tracts or parcels of land. This instrument, with all the title of said First National Bank in and to the lands conveyed thereby, was on May 31, 1927 duly transferred, conveyed, assigned and set over to this defendant, as heretofore stated. Said conveyance and assignment was taken more than two years before the closing of said First National Bank and for the purpose of securing the then indebtedness of said bank, as well as any indebtedness which might thereafter be incurred. Among the properties conveyed by said last mentioned security deed were a large number of farms and city real estate. In fact, all of the properties referred to in complainants' bill were included in said deed with the exception of The First National Bank Building, the Parr Furniture Company Building, a building known as Rice Motor Company Building, certain lots at

the north end of Church Street, a lot on the east side of North Jefferson Street, a lot on the north side of West Jackson Street, certain property known as the Brantley Building at the northwest corner of Jackson and Jefferson Streets, a lot on the south side of West Gaines Street, the Dublin and Laurens Bank Building, a lot on the south side of Johnson Street, a lot on the North side of Johnson Street, two small lots on the east side of Laurens Street, a lot on the east side of North Jefferson Street, a lot on the north side of East Gaines Street, certain acreage on the east side of Washington Street, a farm about eight miles southeast from Dublin and a lot of land at Cadwell, Georgia. All of said properties which were not included in the deed of April 28, 1927 were conveyed by other deeds of said Southern Realty Company; such other deeds being hereinbefore specifically listed and all of which, together with the lands respectively conveyed thereby were transferred, assigned and set over to said Federal Reserve Bank of Atlanta as hereinabove more particularly stated.

- G -

In the latter part of the year 1927 it was reported to this defendant that said First National Bank of Dublin had, with the approval of the Comptroller of the Currency, effected a change in its capital structure in that certain of its stockholders had paid into the treasury of said bank the additional sum of $100,000.00, at the same time reducing the amount of its capital in a like amount. This was done, according to the information of this defendant, in order that certain losses might be eliminated in the assets of said bank without impairing its capital. It was reported to this defendant that the said re-capitalization would so far improve the condition of said First National Bank that it could operate

on a successful basis. This defendant was requested to make an additional advance of $100,000.00 in order to improve the cash condition of said bank. This additional advance was made upon the strength of the collaterals then held by this defendant, including liens on all, or practically all, of the real estate mentioned or referred to in complainants' bill.

- H -

On May 19, 1928 said First National Bank of Dublin and said Southern Realty Company requested this defendant to release from the lien, title, operation and effect of the deeds which this defendant then held certain property to the end that said Southern Realty Company might borrow on the security thereof $100,000.00 to be turned over to said First National Bank of Dublin and to be used for its own benefit. In order to aid said First National Bank, this defendant consented to do so upon condition that after first mortgages had been placed, second mortgages to the extent of the original debts would be taken and transferred to defendant. Thereafter said Southern Realty Company borrowed from the State-Planters Bank and Trust Company of Richmond, Virginia $25,000.00 upon the security of said Dublin and Laurens Bank Building; $10,000.00 from the same Company on a building on the north side of Jackson Street, then occupied by the Sales Agency of the Chevrolet Automobile Company; $5500.00 from the same Company upon the security of a building known as the Parr-Wood Furniture Company Building; $25,000.00 from the same Company upon the security of a building known as Rice Motor Company Building; $7500.00 from the same Company upon the security of a building known as Laurens Hardware Company Building. Upon all of said properties this defendant then held first liens. It consented also to the release of other properties to the end that said Southern Realty Company might place loans thereon, but in certain

cases, not material herein to be stated, said loan transactions were not consummated because of dissatisfaction with the security or for other reasons. The properties so released were subsequently re-conveyed by security deeds to said First National Bank and such later deeds were transferred to defendant. This defendant does not undertake herein or for the purpose of this hearing to set out with particularity all of the various transactions involving said real estate which have extended over the period from January, 1925, when defendant first obtained the security thereof. It avers the above, however, in a general way as showing why certain of the properties appear to have been conveyed twice by the Southern Realty Company to the First National Bank of Dublin, and are therefore, covered by two of the deeds heretofore transferred to this defendant and now held by it as aforesaid. Defendant avers unconditionally, however, that prior to the closing of said First National Bank, and at periods ranging from January, 1925 down to June 22, 1928, security deeds, covering various of said properties, were taken by said First National Bank of Dublin and subsequently transferred to said Federal Reserve Bank of Atlanta. Each of said transfers was for the purpose of securing this defendant as heretofore stated, and each was supported by an advance of monies or funds to said First National Bank. Particular mention is made in complainants' bill of the building known as the First National Bank Building, and being the building which was formerly occupied as the banking quarters of said First National Bank. At the time said monies were borrowed from said State-Planters Bank and Trust Company this defendant, although a large creditor of said First National Bank, consented, in order to aid said Bank, to the placing on said property of a first loan amounting to $39,500.00. After placing said first loan on

said property, said Southern Realty Company re-conveyed the same to said First National Bank of Dublin to secure an indebtedness to the extent of $175,000.00, said deed having been recorded on September 3, 1928 in Laurens County, Georgia. On August 28, 1928 said First National Bank of Dublin requested of this defendant an additional loan or advance of $20,000.00, which was made upon condition that said second mortgage covering said First National Bank Building would be transferred to this defendant as security for all the indebtedness of said First National Bank, present, past and future. Said transfer of said paper was made on August 29, 1928 as heretofore stated, and the same was supported by the consideration of a new advance of $20,000.00.

- I -

In paragraph 9 of plaintiffs' bill it is averred that said First National Bank, in contemplation of insolvency and to the end that said Federal Reserve Bank might be preferred, transferred to said Federal Reserve Bank, in addition to certain real estate mortgages, $30,000.00 in Liberty Bonds. This defendant specifically denies said averment and says that the facts are that on July 6, 1928 said First National Bank of Dublin, being in need of funds, requested of this defendant an advance of $65,000.00, which this defendant made upon a rediscount of customers' notes to that extent in face value, it being further secured by $30,000.00 of bonds, the said $30,000.00 of bonds being not Liberty Bonds but various industrial bonds. Upon the making of this new loan or advance, said $30,000.00 of industrial bonds were hypothecated with this defendant and the same are now held by it.

- J -

In paragraph 10 of said petition the charge is made that this

National Bank to select a new Vice-President and Cashier by the name of H. S. Day. This charge is denied. Defendant says that it had nothing to do with the selection of the said Day; that the Officers of said First National Bank were dissatisfied with the services of the former cashier of said bank and believed that good could be accomplished by placing in the institution a trained man. They believed that the said Day was a man of high calibre and good ability and, so far as this defendant knows, their judgment was well founded. Defendant denies that it, however, had any specific information with respect to the said "bad debt of the Dublin Creamery Company" until shortly prior to the closing of said First National Bank. This defendant believed that said First National Bank might survive its troubles and continue to be of service to the community if loans were extended to it pending such times as its frozen and slow assets could be liquidated. The continued crop failures and the decline in land values, however, rendered impossible the liquidation which said First National Bank had anticipated.

- K -

This defendant further shows that when said First National Bank of Dublin closed it was indebted to it in the sum of $604,312.41; that, at said time, defendant held as collateral, notes and other securities having a nominal or face value of $1,225,259.63. Of said collateral it held notes of the Southern Realty Company, secured only by said mortgages or security deeds, of the nominal or face value of $610,408.33. As of December 3, 1929, said indebtedness of said First National Bank of Dublin to this defendant amounts, in principal, to $289,933.58, the said indebtedness having been reduced to this figure by collections made on collaterals and by a dividend of five per centum paid by the Receiver in liquidation. For

the payment of the remaining due of said indebtedness, this defendant holds, as of December 3, 1929, collaterals having a nominal or face value of $1,018,165.94, of which said amount of collaterals the notes of Southern Realty Company, secured only by said real estate, aggregate $596,-789.94. Due to the circumstances above mentioned, such as crop failures and declining of land values and bankruptcies which have occurred within the last twelve months, said collateral has become worth very much less than its nominal or face value. The defendant estimates that, under favorable conditions, it can collect from its collateral, exclusive of the real estate collateral, not exceeding $95,000.00, but when, as and if such collateral might be sufficient to pay the debt of this defendant, any excess would, of course, accrue to the Receiver of said First National Bank. This defendant denies that it intended to take over said properties at a purely nominal figure. On the contrary, it had instructed its representatives to bid at said sale approximately $194,000.00 for all of said properties, which amount this defendant determined, after a careful consideration, to be the fair cash value of said properties and all of them over and above outstanding prior mortgages. Defendant shows that there are against said properties mortgages aggregating approximately $112,000.00, which are ahead of the claims of defendant. Much of the property has depreciated and is in urgent need of repair. Besides the principal amount above mentioned as the present indebtedness of said First National Bank to this defendant, it owes considerable sums as interest. The expense of maintaining, repairing and operating said properties will be considerable and the liquidation of the same may extend over a period of years, with a consequent increase in interest and maintenance charges. This defendant would welcome the opportunity of selling all of said prop-

- L -

Defendant further shows that under the notes and other obligations of said First National Bank of Dublin which it holds, any and all collateral in the hands of the Federal Reserve Bank stands pledged for each and every item of indebtedness. Defendant has the right, under its collateral notes, to sell all of said collateral or any of the same, but it has heretofore refrained from so doing and has earnestly endeavored to liquidate said collateral to the best possible advantage. Any compromise which has been made of any of said collaterals has been approved by the Receiver of the said First National Bank of Dublin and by the Comptroller of the Currency of the United States and authorized by an order of the United States Courts. Defendant says that it has taken no security or anything of value from said First National Bank except bona fide and in consideration of loans and advances, and that it will be exceedingly fortunate over a period of time to prevent a substantial loss.

- M -

Defendant respectfully submits that the creditors of said First National Bank of Dublin are represented by a Receiver, who is a sworn officer of the United States; that the actings and doings of said Receiver are controlled and supervised by the Comptroller of the Currency of the United States, one of its most important officials; that any complaint or right of complaint or cause of action arising by reason of any transaction heretofore had between said First National Bank of Dublin and said Federal Reserve Bank rests in said Receiver and/or in the Comptroller of the Currency. Every record and the details of every transaction heretofore had between said two banks has been open to the Comptroller of the

Currency and the Receiver of said First National Bank and, as pointed out in the bill filed by complainants, no objection has been raised by the said authorities to any of such transactions. This defendant has refrained from exercising its rights of foreclosure of said mortgages for more than twelve months since said First National Bank suspended. In the interim it has advanced money to keep in good standing the first mortgages on said properties. The town property is depreciating. Some direction must be given to the farming operations on said farms. The liquidation of said First National Bank cannot be indefinitely postponed. With further delay in foreclosure, this defendant might not be justified in bidding for said properties as much as it would be willing to bid now, and the delapidation consequent upon continuing neglect will work against outside bidding. Defendant has no desire to acquire said properties provided an adequate bid can be obtained from any other source. It simply wishes to protect itself, as well as the creditors of said First National Bank, by taking over said properties at a fair but not an excessive valuation and preserving the same to the end that the defendant's loss may not be increased through the neglect and deterioration of said properties.

WHEREFORE, this defendant respectfully requests that the prayers of said petition be denied and that a temporary restraining order be refused to the end that said properties may promptly be re-advertised for sale and sold at public outcry at the earliest possible moment.

_____

Defendant's Attorneys.

GEORGIA, FULTON COUNTY.

Before me the undersigned, a notary public in and for said County, personally appeared E. R. Black, who, being duly sworn, deposes and says that he is Governor of the Federal Reserve Bank of Atlanta and, as such officer, is authorized to make this affidavit.

Deponent says that he has read the above and foregoing answer and that the averments therein contained are true, except in so far as said averments are made upon information and belief, and that as to such averments so made upon information and belief, deponent varily believes the same to be true.

_____

Sworn to and subscribed before me,
this the _____ day of _____, 19 __.

_____
Notary Public

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6517

February 26, 1930.

SUBJECT: Expense, Main Line, Leased Wire System, January, 1930.

Dear Sir:

Enclosed herewith you will find two mimeograph statements, X-6517-a and X-6517-b, covering in detail operations of the main line, Leased Wire System, during the month of January, 1930.

Please credit the amount payable by your bank in the general account, Treasurer, U. S., on your books, and issue C/D Form 1, National Banks, for account of "Salaries and Expenses, Federal Reserve Board, Special Fund", Leased Wire System, sending duplicate C/D to the Federal Reserve Board.

Very truly yours,

Fiscal Agent.

Enclosures.

TO GOVERNORS OF ALL F. R. BANKS EXCEPT CHICAGO.

REPORT SHOWING CLASSIFICATION AND NUMBER OF WORDS TRANSMITTED OVER MAIN LINE OF THE FEDERAL RESERVE LEASED WIRE SYSTEM FOR THE MONTH OF JANUARY, 1930.

X-6517-a

From	Business reported by banks	Words sent by New York chargeable to other F. R. Banks (1)	Net Federal Reserve Bank business	Percent of total bank business(*)
Boston	32,204	1,354	33,558	3.39
New York	163,290	-	163,290	16.51
Philadelphia	36,981	1,084	38,065	3.85
Cleveland	89,893	2,449	92,342	9.34
Richmond	58,486	2,270	60,756	6.14
Atlanta	66,195	6,354	72,549	7.34
Chicago	111,583	3,035	114,618	11.59
St. Louis	85,031	2,996	88,027	8.90
Minneapolis	36,376	2,346	38,722	3.92
Kansas City	86,006	855	86,861	8.79
Dallas	75,112	11,013	86,125	8.71
San Francisco	110,778	3,131	113,909	11.52
Total	951,935	36,887	988,822	100.00

F. R. Board business 276,695 1,265,517

Treasury Department business - Incoming and outgoing 253,576

Total words transmitted over main lines 1,519,093

(*) These percentages used in calculating the pro rata share of leased wire expense as shown on the accompanying statement (X-6517-b)

(1) Number of words sent by New York to other F. R. Banks for their sole benefit charged to banks indicated in accordance with action taken at Governors' Conference November 2 - 4, 1925.

REPORT OF EXPENSE MAIN LINE
FEDERAL RESERVE LEASED WIRE SYSTEM, JANUARY, 1930.

X-6517-b

Name of Bank	Operators' Salaries	Operators' Overtime	Wire Rental	Total Expenses	Pro Rata Share of Total Expenses	Credits	Payable to Federal Reserve Board
Boston	$ 260.00	$ -	$ -	$ 260.00	$ 663.21	$ 260.00	$ 403.21
New York	1,037.46	-	-	1,037.46	3,229.98	1,037.46	2,192.52
Philadelphia	225.00	-	-	225.00	753.21	225.00	528.21
Cleveland	306.66	-	-	306.66	1,827.26	306.66	1,520.60
Richmond	190.00	-	230.00(&)	420.00	1,201.22	420.00	781.22
Atlanta	270.00	-	-	270.00	1,435.98	270.00	1,165.98
Chicago	4,080.36 (#)	-	-	4,080.36	2,267.44	4,080.36	1,812.92 (*)
St. Louis	205.00	1.00	-	206.00	1,741.18	206.00	1,535.18
Minneapolis	200.00	-	-	200.00	766.90	200.00	566.90
Kansas City	287.50	-	-	287.50	1,719.66	287.50	1,432.16
Dallas	251.00	-	-	251.00	1,704.01	251.00	1,453.01
San Francisco	380.00	-	-	380.00	2,253.75	380.00	1,873.75
Federal Reserve Board	-	-	15,559.88	15,559.88	-	-	-
Total	$7,692.98	$ 1.00	$15,789.88	$23,483.86	$19,563.80	$7,923.98	$13,452.74
				3,920.06 (a)			1,812.92 (b)
				$19,563.80			$11,639.82

(&) Main line rental, Richmond-Washington.
(#) Includes salaries of Washington operators.
(*) Credit.
(a) Received $3,920.06 from Treasury Department covering business for the month of January, 1930.
(b) Amount reimbursable to Chicago.

X-6519

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

For immediate release. February 27, 1930.

Mr. Gates W. McGarrah, who has served as Class "C" director, Federal Reserve Agent and Chairman of the Board of Directors of the Federal Reserve Bank of New York since May 1, 1927, has tendered his resignation, which has been accepted by the Federal Reserve Board, effective today.

The Board has appointed Mr. J. H. Case, Deputy Governor of the Federal Reserve Bank of New York, as Class "C" director of the New York Bank for the unexpired portion of the term of Mr. McGarrah, which ends December 31, 1931, and has designated him as Federal Reserve Agent and Chairman of the Board of Directors of the Bank.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6520

February 27, 1930.

Dear Sir:

This is to advise you that the Federal Reserve Board has appointed the members of the Reserve Committee, consisting of Messrs. Goldenweiser, Smead, Rounds, Fleming and Clerk, also as members of a committee, as recommended by the Federal Advisory Council and the Fall Conferences of Governors and Federal Reserve Agents, to assemble and digest information on branch banking as practiced in the United States, group and chain banking systems as developed in the United States and elsewhere, the unit banking system of the country, and the effect of ownership of bank stocks by investment trusts and holding corporations.

While it was the understanding that the matter of the personnel of this committee should be referred to the Federal reserve banks for their recommendations, the Board feels that it is highly important that this study be gotten under way as soon as possible, and, inasmuch as the Committee on Reserves will have to give considerable thought to the subject in connection with its study of reserves, it was thought best to make the appointment at this time so that the committee, which is now holding its organization meeting in Washington, could arrange to begin the study of group, chain and branch banking immediately along with its study of the question of member bank reserves. It was also felt that this arrangement would avoid any duplication of work which might result should a separate committee be appointed.

The Committee, from time to time, will require additional assistance from the personnel of the Federal reserve banks and I am sure the Board can count upon your bank giving complete cooperation to the Committee.

Very truly yours,

R. A. Young,
Governor.

TO ALL GOVERNORS AND AGENTS.

X-6521

COPY

March 1, 1930.

To The Federal Reserve Board

From Mr. Wyatt, General Counsel.

SUBJECT: Recommendations, Regulations and Administrative Policies re Branch, Chain and Group Banking.

In accordance with the Board's request, I submit below a summary of the recommendations of the Federal Reserve Board, the Federal Advisory Council, and the Conferences of Governors and Federal Reserve Agents, and of the regulations and administrative policies of the Federal Reserve Board, with regard to branch, group and chain banking.

This may not be satisfactory, because I have only a general idea of what the Board desires and it has been prepared very hurriedly. I shall be glad to supplement or revise it in any way the Board may desire.

Because of their interrelation, the recommendations of the Federal Advisory Council and the Conferences of Governors and Federal Reserve Agents have been discussed together with the Board's recommendations, regulations, and administrative policies. The subjects of domestic branches, chain banking and foreign branches, however, have been discussed separately.

DOMESTIC BRANCHES

1. Annual Report for 1915. - In its annual report for the year 1915, p. 22, the Federal Reserve Board recommended to Congress that national banks be permitted to establish branch offices within the city, or within the county in which they were located. The Federal Advisory Council, under dates of September 21 and November 16, 1915, had recommended that the national bank act be amended so as to permit

national banks to establish branches under certain conditions.

2. Recommendations during 1916. - Consistently with this recommendation, the Board in 1916 prepared and transmitted to Congress the draft of an amendment to the Federal reserve act. In the terms of this amendment national banks located in cities of 100,000 and over having a capital and surplus of $1,000,000 or more would have been permitted to establish branches within the corporate limits of the cities in which they were located, and any national banks located in other places would with approval of the Federal Reserve Board and under such regulations as the board might prescribe have been permitted to establish branches within the limits of the county in which they were located or within a radius of 25 miles, irrespective of county lines, but not in any case outside the State or Federal reserve district of the parent bank. (Federal Reserve Bulletin, pp. 323, 327; 1916 Annual Report, pp. 29, 145.)

Under date of November 20, 1916, the Federal Advisory Council renewed its recommendation regarding the establishment of branches by national banks but added that the privilege of establishing branches should apply to all banks in the national banking system and not only to such national banks as were located in States which permitted State institutions to establish branch banks. (See pages 28 and 34 of 1916 Recommendations.)

An amendment drawn in compliance with the recommendations of the Board was adopted by the Senate, during 1916, and together with other amendments was referred to a conference committee of the House

and Senate. In conference it developed that the amendment was not acceptable to the House conferees and the Senate on recommendation of its conferees receded from its proposal. (1916 Annual Report, p. 135).

3. Annual Report for 1917. - In its 1917 Annual Report to Congress, page 33, the Board recommended an amendment to the Federal Reserve Act to provide that any national bank located in a city or incorporated town of more than 100,000 inhabitants, and possessing a capital and surplus of $1,000,000 or more, may, under such rules and regulations as the Federal Reserve Board may prescribe, establish branches, not to exceed 10 in number, within the corporate limits of the city or town in which it is located, provided that no such branch shall be established in any State in which neither State banks nor trust companies may lawfully establish branches. The Board stated that "State banks which become members of the Federal reserve system are allowed by law to retain any branches which may already be in existence and, with the approval of the Board, to establish new branches. National banks which have taken over State banks having branches are permitted to continue the operations of these branches. There seems to be no reason for such discrimination between members of the Federal reserve system, and with the view of placing them more nearly upon terms of equality, besides affording in many cases better service to the public, it is recommended that provision be made for the establishment of branches by national banks, under proper limitations."

4. Annual Report for 1918. - In its 1918 report to Congress,

p, 83, the Board renewed its recommendation, expressing the opinion that national banks were "at a serious disadvantage in meeting the competition of State banks with branches," and that "the proper development of the Federal reserve system makes it necessary to coordinate as far as possible the powers of all member banks." This coordination of powers could not be effected without amendment of existing laws under which "some member banks, both National and State, are given advantage over other member banks." The Board renewed its recommendation of previous years, being confident that the proposed amendment would "prove beneficial to the Federal reserve system, as well as to the communities concerned." The Federal Advisory Council also renewed its recommendation that an amendment of this character should be enacted. (p. 6, 1918 Recommendations of Federal Advisory Council.)

5. Developments during 1919. - In 1919, a bill was passed by the Senate which proposed to authorize national banks in cities of 500,000 or more population, having a capital and surplus of $1,000,000 or more, to establish not exceeding 10 branches within the corporate limits of the cities in which they were located, provided State law extended a similar privilege to State banking institutions. Under date of September 16, 1919 the Federal Advisory Council urged the Federal Reserve Board to use every effort to secure the passage of this bill in the interest of sound banking and the granting of equal banking facilities to all people in the same business. (p. 19 of 1919 Recommendations of Federal Advisory Council).

6. Annual Report for 1919. - The Board in its Annual Report for the year 1919, p. 64, made substantially the same recommendation regarding the branch banking amendment as it had made in its Annual Report for the

year 1918, and commented upon the bill above referred to as follows:

> "Under the present law national banks can not afford the same facilities to the public as are given by State banks having branches, except in cases where State banks and trust companies operating branches have merged with national banks, when existing branches may be continued by the national banks. * * * While the board would prefer to have this privilege (of establishing branches) extended to national banks in cities of not less than 100,000 inhabitants, or, failing that, have the population limit raised to 200,000, it wishes to point out that the limit fixed in the Senate bill does not affect the principle involved, and it therefore respectfully recommends once more that national banks be permitted to establish branches in the cities in which they are located under such limitations as in the wisdom of Congress may be deemed desirable."

7. Recommendation of Agents' Conference in 1921. - The Conference of Federal Reserve Agents held in October, 1921, adopted a resolution favoring the establishment of branches in the same city in which a national bank is located, provided State banks are permitted that privilege under State law. (Pp. 111-115 of proceedings of October, 1921, Conference of Federal Reserve Agents.)

8. Annual Report for 1922. - Again in its report for 1922, pages 5-6, the board commented briefly upon branch banking developments, noting that the establishment of branches by the larger State banks "had gone so far in a few States, notably California, and in a few large cities, including New York, Cleveland, and Detroit, as to reduce greatly the number of national banks." The Board expressed the opinion that the action of the Comptroller of the Currency in permitting national banks to open "additional offices" within the corporate limits of the cities in which they were located in States which permitted branch banking "does not meet the situation in California and does not fully meet it in the cities mentioned,"

and that "an amendment to the national banking act allowing national banks the same privilege given to State banks in States where branch banking is permitted is much to be desired."

In this connection the board noted a suggestion made by the Joint Commission of Agricultural Inquiry in its report to Congress dealing with the problem of rural credit, to the effect that "a system of limited branch banking might furnish a possible solution of this problem." Upon this suggestion the board commented as follows:

> "Such systems are in fact already established in some sections of our country, notably in California, and appear to have gone far toward solving the problem. Branch banking has lowered the rate of interest in some of the leading agricultural sections of California, and at the same time has provided added security for the deposits of farmers. There are interesting neighborhood branch banking groups in other States, which appear to be serving their communities well."

9. Annual Report for 1923. - Finally, in its 1923 report, page 48, the board notes the difficulties which originate in the differences of State laws and the competitive disadvantages under which national banks operate in States which permit branch banking, and expresses the hope "that it can by administrative measures find some reasonable method of harmonizing existing differences of interest of State and national banks in the matter of branch banking, and thus lay the basis for a policy which will result in shaping the development and practice of branch banking in the United States along useful and serviceable lines."

10. Administrative Policy of the Board prior to November, 1923. - In acting upon applications of State member banks for permission to establish additional branches within the system the board had prior to November, 1923, considered each case upon its own merits, giving consideration to public

convenience and to the parent bank's capacity for properly organizing the branch and assimilating the business taken over. As a matter of general policy rather than specifically of branch banking policy, the board in individual cases withheld its approval until satisfied that establishment of the additional branch or branches in question would not impair the solvency or liquidity of the parent bank. It gave consideration to the rate of expansion of the given branch system; co-ordination of branches already acquired; head-office control, supervision, and personnel; affiliation with outside corporations; relation of capital and surplus to deposit liabilities, especially in rapidly expanding branch systems; methods of acquiring branches; and generally to local conditions and needs in so far as these could be clearly defined. The Board distinguished branches from paying and receiving stations not vested with discretionary power to make loans, except for inconsiderable sums and while reserving the right to reconsider in case such offices in any instance developed into full-fledged branches, it made approval of such outside offices more or less a matter of form, except where it appeared that the expense of maintaining them might impair the capital of the bank.

Although the board had not formulated any arbitrary rule requiring simultaneous examinations of head offices and branches, it had nevertheless regarded any evidence of inability on the part of State authorities to conduct proper examinations of banks maintaining extensive branch systems as being in itself adequate justification for limiting further expansion of such systems. Responsibility for the conduct of adequate examinations, it has been felt, must in the case of member as of nonmember banks be assumed primarily by State authorities rather than in the case of member

banks by the Federal reserve bank of the given district.

In general, it may be observed that prior to November, 1923, the board permitted expansion of member bank branch systems under State supervision and control, in so far as such expansion was consistent with sound banking principles of efficient administration, adequate State supervision, and complete solvency.

11. Resolution of November 7, 1923. - On November 7, 1923, the Federal Reserve Board adopted a resolution (X-3881) formulating certain general principles for guidance of the Board in acting upon individual cases presented to it in applications for admission to membership of State banks operating branches outside the city or town or contiguous territory in which the parent bank was located and in applications of State member banks for permission to establish such branches.

This resolution reads as follows:

> "Resolved, That the Board continue hereafter as heretofore to require State banks applying for admission to the Federal reserve system to agree as a condition of membership that they will establish no branches except with the permission of the Federal Reserve Board; be it further
>
> "Resolved, That, as a general principle, State banks with branches or additional offices outside of the corporate limits of the city or town in which the parent banks are located or territory contiguous thereto ought not be admitted to the Federal Reserve System except upon condition that they relinquish such branches or additional offices; be it further
>
> "Resolved, That, as a general principle, State banks which are members of the Federal Reserve System, ought not be permitted to establish or maintain branches or additional offices outside the corporate limits of the city or town in which the parent bank is located or territory contiguous thereto; be it further
>
> "Resolved, That in acting upon individual applica-

tions of State banks for admission to the Federal Reserve System and in acting upon individual applications of State banks which are members of the Federal Reserve System for permission to establish branches or additional offices, the Board, on and after February 1, 1924, will be guided generally by the above principles; be it further

"Resolved, That the term 'territory contiguous thereto' as used above shall mean the territory of a city or town whose corporate limits at some point coincide with the corporate limits of the city or town in which the parent bank is located; be it further

"Resolved, That this resolution is not intended to affect the status of any branches or additional offices established prior to February 1, 1924, either those of banks at the present time members of the Federal Reserve System or those of banks subsequently applying for membership in said system."

The Federal Advisory Council, however, was not inclined to favor this resolution. Under date of November 19, 1923, it stated with reference to the resolution that "it believes that the resolution, if carried into effect, will give a position of monopoly to those State banks that have established State-wide systems of branches, while those State banks that have refrained from branch banking will be placed in a position of great disadvantage" (p. 11 of 1923 Recommendations of Federal Advisory Council.)

12. Recommendations re McFadden Bill. - On February 11, 1924, the so-called McFadden bill was introduced in Congress giving to national banks the right to establish branches and imposing some restrictions upon the establishment of branches by State member banks of the Federal reserve system. As has been shown above, the Board had repeatedly recommended the enactment of legislation authorizing the establishment of domestic branches by national banks and a number of bills designed to accomplish this general purpose were introduced from time to time. These bills were

in various forms and contained various limitations and restrictions, but none of them was ever passed by Congress.

On May 26, 1924, and April 23, 1926, in letters addressed to Congressman McFadden and Senator McLean, respectively, the Board expressed its general approval of the McFadden bill. The Federal Advisory Council in 1924, 1925 and 1926 also recommended enactment of the bill, and on February 25, 1927, it was finally enacted into law.

13. Administrative Policy during 1924. - At its meeting on January 7, 1924, the Board gave consideration to the applications of three banks for permission to establish branches from time to time over a period of several months in accordance with contemplated programs of development, and adopted a resolution to the following effect: That no blanket authority to establish branches would be granted; that each application must be presented separately in regular form and manner, subject to approval of the State banking authorities and a recommendation of the Federal reserve bank of the district; that applications to establish branches in non-contiguous territory, filed before February 1 (under the board's resolution of November 7) might be considered by the board after that date; and that the board reserved right to pass on each application on its merits. (See X-3937).

14. Regulations of 1924. - On March 27 the board issued a revised and further elaboration of its regulations formulated under that general provision of the Federal reserve act which authorizes it to prescribe conditions of membership for State banking institutions applying for admission to the system. In these regulations, as amended a month later, on April 7, the board took occasion to give more formal statement than it had

previously given to principles which would govern it in approving the establishment of branches.

By Section IV of its Regulation H, as amended April 7, 1924, the Board stated that it would prescribe the following conditions of membership for every State bank thereafter admitted to the Federal Reserve System:

> "(4) Such bank or trust company shall not, except after applying for and receiving the permission of the Federal Reserve Board, establish any branch, agency, or additional office.
>
> "(5) Such bank or trust company, except after applying for and receiving the permission of the Federal Reserve Board, shall not consolidate with or absorb or purchase the assets of any other bank or branch bank for the purpose of operating such bank or branch bank as a branch of the applying bank; nor directly or indirectly, through affiliated corporations or otherwise, acquire an interest in another bank in excess of 20 per cent of the capital stock of such other bank; nor directly or indirectly promote the establishment of any new bank for the purpose of acquiring such an interest in it; nor make any arrangement to acquire such an interest."

These conditions were prescribed for all State banks and trust companies which were admitted to membership between April 7, 1924, and February 25, 1927, and were conditionally prescribed for all institutions admitted between February 26, 1927, and January 3, 1928. Prior to April 7, 1924, these conditions, or conditions substantially similar thereto, were prescribed for special reasons for a number of State banks and trust companies admitted to the System.

In Section VI of the same Regulation, the Board stated the administrative policy which it would pursue in acting upon applications for permission to establish branches under these conditions of membership as follows:

"SECTION VI. PRINCIPLES GOVERNING ESTABLISHMENT OF BRANCHES

"In passing upon applications by State banks and trust companies for permission to establish branches, agencies or additional offices, under condition No. 4 of Section IV, or under any similar condition which may have been prescribed by the Federal Reserve Board and agreed to by any bank or trust company heretofore admitted to the Federal Reserve System, the Federal Reserve Board will observe the following principles--

"(1) The Federal Reserve Board will as a general principle restrict the establishment of branches, agencies or additional offices by such banks or trust companies to the city of location of the parent bank and the territorial area within the State contiguous thereto, as said territory has been defined in the board's resolution of November 7, 1923, excepting in instances where the State banking authorities have certified and the board finds that public necessity and advantage render a departure from the principle necessary or desirable.

"(2) The Federal Reserve Board as a general principle will not consider an application by such bank or trust company for a permit to establish a branch, agency or additional office, unless the authorities of the State in which such bank is located regularly make simultaneous examinations of the head office and all branches, agencies or additional offices of such bank, nor unless the examinations made by the State authorities are, in the judgment of the Federal Reserve Board, of such character in every respect as to furnish the Federal Reserve Board with sufficient information as to the condition of such bank and the character of its management to enable the Federal Reserve Board fully to protect the interests of the public.

"(3) The Federal Reserve Board as a general principle will require each bank or trust company which establishes or maintains branches, agencies or additional offices to maintain for itself and such branches, agencies or additional offices an adequate ratio of capital to total liabilities and an adequate percentage of its total investments in the form of paper or securities eligible for discount or purchase by Federal reserve banks.

"(4) The Federal Reserve Board will not consider any application to establish a branch, agency or additional office until the State banking authorities have approved the establishment of such branch, agency or additional office, and the directors or executive committee and the Federal reserve agent of the Federal reserve bank of the district in which such bank or trust company is located have made a report upon the financial condition of the

applying bank or trust company, the general character of its management, what effect the establishment of such branch, agency or additional office would have upon other banks or branches in the locality in which it is to be established, and whether, in their opinion, it would be in the interest of the public in such locality, together with their recommendation as to whether or not the application should be granted.

"(5) When permission is granted for the establishment of such branch, agency or additional office same shall be established and opened for business within six months after such permission is granted. If such branch, agency or additional office is not established within such time the permit shall become void, unless the time is extended by the board for good cause.

"(6) The Federal Reserve Board reserves the right to cancel any permit which it may grant hereafter to establish any branch, agency or additional office whenever it shall appear, after hearing, that such branch, agency or additional office is being operated in a manner contrary to the interest of the public in the locality in which it is established."

15. After the McFadden Act. - As a result of the amendments to the Federal Reserve Act contained in the McFadden Act, the Board issued a new set of regulations applicable to member banks which became effective on January 3, 1928. Before these new regulations became effective and after the passage of the McFadden Act, a number of State banks and trust companies were admitted to membership in the System. These banks and trust companies were admitted subject to certain conditions of membership, which usually included the conditions in the 1924 Regulations regarding the establishment of branches, and such conditions were subject to any changes which the Board found to be necessary on account of the amendments to the Federal Reserve Act contained in the McFadden Act. After the Board's 1928 Regulations became effective, (January 3, 1928), these banks were advised of the new conditions of membership to which they were subject. As the McFadden Act prescribed the conditions under which branches might be established by

State member banks, the Board did not include a condition in these new regulations in that connection. In Section V of Regulation H, however, it stated its interpretation of the provisions of the McFadden Act regarding branches of State member banks as follows:

> "1. Any State member bank which, on February 25, 1927, had established and was actually operating a branch or branches in conformity with the State law is permitted to retain and operate the same while remaining a member of the Federal reserve system, regardless of the location of such branch or branches.
>
> "2. Any nonmember State bank which, on February 25, 1927, had established and was actually operating a branch or branches in conformity with State law may, if otherwise eligible, become a member of the Federal reserve system and retain and operate such branches, regardless of their location.
>
> "3. In order to remain a member of the Federal reserve system, every State member bank must relinquish any branch or branches established after February 25, 1927, beyond the corporate limits of the city, town, or village in which the parent bank is situated.
>
> "4. Any State member bank which establishes any branch or branches after February 25, 1927, beyond the corporate limits of the city, town, or village in which the parent bank is situated must either (a) relinquish such branch or branches or (b) forfeit all rights and privileges of membership and surrender its stock in the Federal reserve bank.
>
> "5. No State bank which has established any branches subsequent to February 25, 1927, beyond the corporate limits of the city, town, or village in which the parent bank is situated may become a member of the Federal reserve system except upon relinquishment of every such branch.
>
> "6. State member banks may establish branches within the corporate limits of the city, town, or village in which the parent bank is situated without obtaining permission of the Federal Reserve Board."

CHAIN BANKING

1. Conditions of Membership. - Prior to the enactment of the McFadden

Act, the Board prescribed conditions of membership under which State banks could be admitted to the Federal reserve system in order to effect some degree of control over chain banking. One of the conditions with which State banks entering the Federal reserve system were required to comply, reads as follows:

> "(5) Such bank or trust company, except after applying for and receiving the permission of the Federal Reserve Board, shall not consolidate with or absorb or purchase the assets of any other bank or branch bank for the purpose of operating such bank or branch bank as a branch of the applying bank; nor directly or indirectly, through affiliated corporations or otherwise, acquire an interest in another bank in excess of 20 percent of the capital stock of such other bank; nor directly or indirectly promote the establishment of any new bank for the purpose of acquiring such an interest in it; nor make any arrangement to acquire such an interest."

This condition of membership was incorporated in the Board's Regulations of 1924 and was prescribed for every State bank admitted to membership between April 7, 1924 and January 3, 1928. As a result of an amendment to Section 9 contained in the McFadden Act (February 25, 1927) there is some doubt whether the Board now has authority to prescribe this broad condition and, therefore it has been unable to exercise the same degree of control over chain banking. It has, however, prescribed the following condition of membership for every State bank or trust company admitted to membership since January 3, 1928.

> "(3) Except after applying for and receiving the permission of the Federal Reserve Board, such bank or trust company shall not acquire an interest in any other bank or trust company, through the purchase of stock in such other bank or trust company."

2. Recommendations for Legislation. - As early as January 8, 1926, the Board addressed a letter to Congressman McFadden (X-4500) recommending that there be incorporated in the pending McFadden bill certain provisions

designed to secure adequate information regarding national and State member banks which are closely related in management, operation or interests to other banking institutions and, in particular, to afford some check upon the abuses frequently occurring from chain banking. These suggestions were not adopted by Congress.

3. Correspondence with Hon. Louis T. McFadden re Administrative Control.- Under date of May 2, 1927, Congressman McFadden addressed a letter to the Comptroller of the Currency, suggesting that he adopt administrative measures calculated to control or prevent the growth of chain banking among national banks and sent a copy of his letter to the Federal Reserve Board with the suggestion that the Board should adopt similar administrative measures with reference to State member banks of the Federal reserve system. The Board, under date of May 18, 1927 (X-4854), replied that it was powerless under the law to take any such action. The Board called attention to the fact that it had suggested legislation along this line, but that Congress had not adopted its suggestions, and also called attention to the fact that Congress in the McFadden Act had amended the law so as apparently to take away the Board's power to control this practice through conditions of membership. the Board's letter concluded with the statement that the remedy lies with Congress.

4. Annual Reports for 1927 and 1928. - In addition to the correspondence with Congressman McFadden above referred to, the Board has in its annual reports for the years 1927 and 1928 brought to the attention of Congress the fact that the expanding operations of financial companies specializing in the purchase of bank stock have presented special problems to Federal and State officials charged with the responsibilities of bank supervision. It was pointed out that such companies have been organized in increasing

numbers and that since they are not directly engaged in the business of banking as defined in Federal and State statutes, they have not been subject to supervision or regular examination by banking authorities. (See pages 31-32 of 1927 Annual Report). The difference between branch and chain banking was explained and it was pointed out that the more considerable developments in chain banking have been generally in States which prohibit the establishment of branch offices by banks. The chain banking situation in the United States was also summarized for the information of Congress. (See pages 30-31 of 1928 Annual Report.)

5. Conferences of Federal Reserve Agents and Governors of Federal Reserve Banks in 1927 and 1928. - The 1927 fall conferences of Federal reserve bank Governors and Federal reserve agents considered the development of investment companies for the purchase of bank stock, and the Federal reserve agents were of the opinion that a dangerous situation is developing which should be brought to the attention of the Federal Reserve Board and the banking authorities with the view that some legislation should be obtained placing such companies under the jurisdiction of the banking departments. The Federal reserve bank Governors felt that the possible dangers incident to a widespread development of such companies make it a matter for the consideration of the Federal reserve system. The Governors discussed this question further at their April, 1928, Conference and while nothing definite was recommended, it was stated that the question is a matter that deserves thoughtful consideration.

6. Committee to Study Chain Banking. - The question of branch, chain and group banking development in the United States with particular reference to the effects of bank stock ownership by investment trusts and holding

corporations, was considered by the Federal Advisory Council in 1929, and, on November 19, 1929, it recommended that, "The Federal Reserve Board appoint a committee to study the merits of the branch banking system as practiced in this and other countries, (conditions in Canada being apparently more comparable with our own), the group or chain banking system as developed in this country and elsewhere, and the unit banking system of this and other countries; and further, the effect of ownership of bank stocks by investment trusts and holding corporations, in order that the Federal Reserve Board may be in possession of accurate and authoritative information on this important subject."

The December, 1929, Conference of Federal reserve bank Governors and Federal reserve agents voted to concur in and endorse the recommendation of the Federal Advisory Council that a committee be appointed to study the subject of branch, chain and group banking.

Accordingly, on February 27, 1930, the Board appointed a committee for this purpose, naming as members thereof, Messrs. Goldenweiser and Smead of the Board's staff, and Messrs. Rounds, Fleming and Clerk, Deputy Governors of the Federal reserve banks of New York, Cleveland and San Francisco, respectively. On the same date a letter (X-6520) was addressed to the Governors and Federal reserve agents advising them of the appointment of the above named committee.

FOREIGN BRANCHES

1. National banks. - National banks under Section 25 of the original Federal Reserve Act (Act of December 23, 1913) were given the right to establish branches in foreign countries or dependencies of the United States and under the provisions of the Act of September 7, 1916, amending Section

25, such banks were given the power to establish branches in insular possessions of the United States. At the present time national banks may establish foreign branches pursuant to the provisions of Section 25 of the Federal Reserve Act.

2. State Member Banks. - Prior to the passage of the so-called McFadden Act, State banks which were members of the Federal Reserve System could establish branches in foreign countries; but since that Act they may not do so. This Act amended Section 9 of the Federal Reserve Act and provides that no State bank may retain or acquire stock in a Federal reserve bank except upon relinquishment of any branch or branches established after February 25, 1927, beyond the limits of the city, town or village in which the parent bank is situated. A branch of a State bank established in a foreign country is one established beyond the limits of the city, town or village in which the parent bank is located and thus comes within the class of branches which are prohibited by the McFadden Act. This Act expressly excepts the establishment of foreign branches by national banks from its provisions; but no such exception is made in favor of branches of State member banks.

3. Annual Reports for 1927 and 1928. - In its Annual Report for the year 1927, p. 46, the Board recommended that Section 9 of the Federal Reserve Act be amended so as to permit State member banks to establish foreign branches. The Board explained the situation as set forth above and pointed out that "it is obvious that Congress intended to deal with domestic branches", when it amended Section 9, and stated "there is no justification for a discrimination against State member banks in this respect; and the Board is of the opinion that the law should be amended as soon as

possible so as to remove the possibility of it being construed so as to result in such discrimination." The Board renewed this recommendation in its Annual Report for the year 1928, p. 41.

4. Active Steps to Obtain Legislation.- Under date of April 25, 1929, Vice Governor Platt addressed letters to the Chairmen of the Senate and House Banking and Currency Committees, reviewing the State member bank foreign branch situation. Drafts of amendments conforming to the Board's views were enclosed with these letters and it was stated that "the Board will appreciate favorable action on this proposed amendment at an early date."

On May 10, 1929, Senator Norbeck introduced a bill (S. 1070) to amend Section 9 of the Federal Reserve Act to permit State member banks to establish and operate branches in foreign countries.

Under date of June 10, 1929, the Board addressed a letter to Senator Norbeck, in which it was stated that upon further consideration of the matter of amending the law so as to permit State member banks to establish foreign branches, the Board had reached the conclusion that the establishment of such branches should be permitted only on terms and conditions similar to those prescribed for national banks by the provisions of Section 25 of the Federal Reserve Act. A revised draft of the amendment was submitted with this letter and it was suggested that it be introduced in lieu of S. 1070. This revised draft would require State banks desiring to establish foreign branches to have a capital and surplus of $1,000,000 or more, to obtain the permission of the Federal Reserve Board, and to comply with such conditions and regulations as might be prescribed by the Federal Reserve Board. A similar letter was sent to Mr. McFadden on the same day and in both of these letters the Board requested that favorable action be taken on

the amendment.

Under date of September 10, 1929, letters were again addressed to the Chairmen of the Senate and House Banking and Currency Committees, calling their attention to the previous recommendations of the Board and renewing the recommendation that bills conforming to the Board's suggestions be introduced and passed by Congress.

On December 11, 1929, Senator Norbeck introduced a bill (S-2605) in the Senate in the form in which it was recommended by the Board and this bill was reported out without amendment on December 18 by the Senate Banking and Currency Committee.

On February 6, 1930, the Board voted again to recommend the enactment of this amendment in its Annual Report for the year 1929. It was also voted to send a letter to Mr. McFadden asking him to introduce the amendment in the House. This letter has been prepared but has not yet been mailed.

ARTICLES IN THE BULLETIN.

In the Federal Reserve Bulletin for December, 1924 (pages 925-940) there is an excellent article on the modern development of branch banking in the United States, which contains a review of the Board's recommendations, regulations, and administrative policies on that subject and much valuable statistical material. This is supplemented by articles appearing in the following numbers of the Federal Reserve Bulletin at the places indicated.

June, 1926, pages 401-408
May, 1927, pages 315-318
December, 1929, pages 762-770

The last of these articles contains valuable statistics regarding chain banking.

Respectfully,

Walter Wyatt,
General Counsel.

WW:vdb

FEDERAL ADVISORY COUNCIL

1930

Officers:

Frank O. Wetmore, President
B. A. McKinney, Vice President
Walter Lichtenstein, Secretary

Executive Committee:

Frank O. Wetmore
B. A. McKinney
Wm. C. Potter
Levi L. Rue
Harris Creech
W. W. Smith

MEMBERS.

District.		Address.
No. 1	Herbert K. Hallett	Atlantic National Bank, Boston, Mass.
No. 2	William C. Potter	Guaranty Trust Company of New York, N. Y.
No. 3	Levi L. Rue	Philadelphia National Bank, Philadelphia, Pa.
No. 4	Harris Creech	Cleveland Trust Company, Cleveland, Ohio.
No. 5	John Poole	Federal American Nat'l. Bank, Washington, D. C.
No. 6	J. P. Butler, Jr.	Canal Bank & Trust Company, New Orleans, La.
No. 7	Frank O. Wetmore	First National Bank, Chicago, Ill.
No. 8	Walter W. Smith	First National Bank, St. Louis, Mo.
No. 9	George H. Prince	First National Bank, St. Paul, Minn.
No. 10	Walter S. McLucas	Commerce Trust Co., Kansas City, Mo.
No. 11	B. A. McKinney	American Exchange National Bank, Dallas, Texas.
No. 12	F. L. Lipman	Wells Fargo Bk. & Union Tr. Co., San Francisco, Calif.

Address of Mr. Lichtenstein, 38 South Dearborn St., Chicago, Illinois.

March 4, 1930.

COPY

X-6525

March 1, 1930.

To: Governor Young,

SUBJECT: Data re Branch, Group and Chain Banking.

From: Mr. Wyatt, General Counsel.

In accordance with your request, made Tuesday of this week, I have gathered together what I believe to be substantially all the data in the Board's possession on the above subject, which might be of help to you in connection with your testimony before the Committee on Banking and Currency. I have digested or summarized this material under various headings listed in the attached analysis and have attached the original material as exhibits numbered according to the corresponding headings of the analysis and digest.

This system of numbering the exhibits results in some duplication of exhibits (i.e. the same material sometimes appears two or three times as different exhibits); but I believe it is justified by the resulting convenience of reference. If you decide to file with the Committee a written statement accompanied by exhibits, it may be advisable to eliminate this duplication by designating the exhibits A, B, C, etc., and referring back to an earlier exhibit, instead of introducing the same exhibit again under a different number.

In accordance with our understanding, I have not attempted to put the attached summary or digest in the form of a final statement to be filed with the Committee but rather in such form as to serve as a rough draft for you to revise and supplement in accordance with your own views. It, therefore, contains some references to confidential material, which should be omitted from any statement or exhibits filed with the Committee. In this connection, I quote the following from a memorandum addressed to me by Mr. Horbett with reference to the confidential character of some of the material compiled by Mr. Smead's division:

> "As I told you over the telephone, a good deal of the material that we have presented to the Board has been of a confidential character, that is to say, we have not felt at liberty to disclose, except to the Board, the names of the individual banks reported to us by the Federal reserve agents. You will note, however, from the copies of the memoranda submitted to the Board on this subject, that they refer to the accompanying detailed reports, and in some cases the memoranda themselves give figures pertaining to individual banks. It may be desirable, therefore, to amend the memoranda somewhat, if they are to be used at the Congressional hearing, by omitting confidential data and references to accompanying confidential tabulations."

I strongly recommend that you confer with Mr. Smead about this before finally deciding what material to file with the Committee.

I regret that I have had to do this work so hurriedly that I am not very proud of the result; but I hope that it will serve for practical purposes.

Respectfully,

Walter Wyatt, General Counsel

X-6523

F E D E R A L R E S E R V E B O A R D

DIGEST OF

DATA ON BRANCH, GROUP AND CHAIN BANKING.

- - - - -

The following is a digest of all the data in the possession of the Federal Reserve Board on the subject of branch, group and chain banking. There is being submitted to the Committee at the same time as exhibits, copies of all the material referred to in this digest. In this connection, attention is called to the fact that part of the material submitted is confidential in its nature and probably ought not to be published in any report of the Committee's hearings. These confidential portions are indicated both on the exhibits and by explanatory statements in the body of the digest, so that the Committee can easily eliminate them if it should desire to publish this digest or any of the exhibits.

 X-6523

FEDERAL RESERVE BOARD

DATA ON BRANCH, GROUP AND CHAIN BANKING

I. Legal Research

1. September, 1922 - Status of Branch Banking Under the Laws of the Several States.
2. December, 1924 - Comprehensive Article on Branch Banking, Including Legal Status.
3. March, 1925 - Digest of State Laws as of December 31, 1924.
4. June, 1926 - Supplement to December, 1924, Article.
5. February, 1929 - Branch Banking Developments to June 30, 1928.
6. October, 1929 - Digest of State Laws re Ownership of Bank Stocks by Holding Companies.
7. December, 1929 - Branch and Chain Banking Developments in 1929.
8. February, 1930 - Digest of State Laws re Branch Banking.

II. Statistical Research re Branch Banking

1. June, 1924.
2. December, 1925.
3. December, 1926.
4. February 25 and June 30, 1927.
5. June, 1928.
6. June, 1929.
7. December, 1929.

III. Statistical Research on Chain Banking

1. December, 1922.
2. June, 1926.
3. June, 1928.
4. June, 1929.
5. December, 1929.
6. Annual Report for 1927.
7. Annual Report for 1928.

IV. Branch Banking in Foreign Countries

1. Canada.
2. British Isles.
3. Germany.
4. France.
5. Japan.

V. History, United States

1. "Branch Banking before the Civil War" - Address by Hon. Edmund Platt.
2. "Branch Banking for Country Banks" - Address by Hon. Edmund Platt.
3. Recent Growth of Branch Banking Through 1924.
4. Branch Banking in the United States from June, 1924, to December, 1925.
5. Branch Banking Developments in 1926.
6. Branch Banking Developments to June 30, 1928.
7. Branch and Chain Banking Developments to June 30, 1929.

VI. Federal Legislation on Branch Banking

1. First Bank of the United States.
2. Second Bank of the United States.
3. National Banks.
4. Postal Savings Banks.
5. Federal Reserve Banks.
6. Federal Land Banks and Joint Stock Land Banks.
7. War Finance Corporation.
8. Federal Intermediate Credit Banks.
9. The McFadden Act.
   (a) National Banks.
   (b) State Member Banks of the Federal Reserve System.

VII. Policy of Federal Reserve System on Branch Banking

1. Annual Report for 1915.
2. Recommendations During 1916.
3. Annual Report for 1917.
4. Annual Report for 1918.
5. Developments During 1919.
6. Annual Report for 1919.
7. Recommendation of Federal Reserve Agents in 1921.
8. Annual Report for 1922.
9. Annual Report for 1923.
10. Administrative Policy of Federal Reserve Board Prior to November, 1923.
11. Federal Reserve Board's Resolution of November 7, 1923.
12. Recommendations on McFadden Bill.
13. Administrative Policy During 1924.
14. Regulations of 1924.
15. After the McFadden Act.

VIII. Policy of Federal Reserve System on Chain Banking

1. Conditions of Membership.
2. Recommendations for Legislation.
3. Correspondence with Hon. Louis T. McFadden regarding Administrative Control.
4. Annual Reports for 1927 and 1928.
5. Conferences of Federal Reserve Agents and Governors of Federal Reserve Banks, 1927-1928.
6. Committee to Study Chain Banking.

IX. Bank Failures

1. Federal Reserve Board's Annual Report for 1926.
2. Report on Bank Suspensions, 1921-1927.
3. Study of Bank Suspensions, 1921-1929.
4. Federal Reserve Board's Annual Report for 1929.
5. Studies of Bank Failures by Professor Sprague and Dr. Burgess.

BRANCH, GROUP AND CHAIN BANKING

RESEARCH WORK

During the past eight years the Federal Reserve Board has done a great amount of research work in connection with the subject of branch banking, and during the past four years it has made much research in connection with the subject of group and chain banking. It is believed that the results of this research work will be very enlightening and helpful to the Committee. There is given below a brief discussion of the various different phases of this research work and there are attached exhibits containing the principal documents containing the detailed information resulting from this research work.

I. LEGAL RESEARCH

1. During September, 1922, Mr. Robert F. Leonard, Secretary to Hon. John R. Mitchell, who was at that time a member of the Federal Reserve Board, prepared a preliminary draft of a digest showing the status of branch banking under the laws of the several states. In this digest it appears that, in September, 1922, branch banking was prohibited by law in 15 States and was expressly permitted by law in 13 states. In 12 States there were no specific provisions of law prohibiting branch banking, but the State supervisory authorities did not permit branches to be established. In four States the laws prohibited branch banking but permitted the establishment of branch offices or agencies; and in three States the establishment of branches was permitted without any express authorization of law. In one State branch banking was permitted by implication, but there were no branches then in operation in that State. Of the 13 States expressly permitting branch banking, eight permitted it without any geographical limitations, while five permitted the establishment of branches only within certain geographical limits. A copy of this preliminary digest (X-3530) is attached hereto as Exhibit A. It appears that it was never put in final form.

2. In December, 1924, there was published in the Federal Reserve Bulletin (pages 925-940) a comprehensive article with reference to the entire subject of branch banking, which reviewed the administrative policies of the Federal Reserve Board with reference to this subject, the Board's recommendations to Congress, the extent of branch banking in the United States, both within and without the Federal reserve system, and the growth of branch banking. In addition to much valuable statistical

material, this article also contained (pages 930-931) a summary of the legal status of branch banking in the United States and a map showing in which states branch banking was authorized, in which States it was prohibited and in which States the laws contained no provisions with reference to branch banking. This summary showed that at that time branch banking was expressly prohibited by statute in 17 States and was either expressly or impliedly permitted by statutory provisions in an equal number of States. The free extension of branch banking on a State-wide basis was expressly authorized in 9 States, was impliedly authorized in 2 other States, and was permitted without specific statutory authority in 2 additional States, making 13 States in all in which State-wide branch banking was permitted. Three States restricted branch banking to the county or territory contiguous to the city or county in which the parent bank was located and 2 States limited the establishment of branches to the corporate limits of the city in which the parent bank was located. In 3 States additional offices or agencies, but not full-power branches, were permitted either by statutory provisions or under judicial decisions. A copy of this article is attached as Exhibit B.

3. In March, 1925, there was published in the Federal Reserve Bulletin (pages 182-187) a complete digest of State laws pertaining to branch banking, which was prepared in the office of the Board's General Counsel with the assistance of the Counsel for the various Federal reserve banks. This digest showed the status of branch banking legislation in the various States at the close of the year 1924. It showed that branch banking was permitted either specifically or by implication in 20 States

and was specifically prohibited in 17 States. It also shows that at that time there were 11 States having no express provisions of law covering branch banking. A copy of this digest is attached hereto as Exhibit C.

4. In June, 1926, there was published in the Federal Reserve Bulletin (pages 401-408) an article with reference to branch banking in the United States, bringing up to date the data contained in the article published in the Federal Reserve Bulletin for December, 1924. With reference to the legal situation in the various States, this article showed that three States had enacted legislation regarding the establishment and maintenance of branches during the year 1925. It showed that, on December 31, 1925, branch banking was permitted in 20 States either expressly or by implication; it was prohibited in 17 States; and there was no legislation on the subject in 10 States. In addition to the 20 States permitting branch banking, New Jersey had recently enacted a statute authorizing banks and trust companies to establish branches within the limits of the city in which the head office was located, if national banking associations in New Jersey should at the time be permitted by Act of Congress to establish branches. A copy of this article is attached as Exhibit D.

5. In February, 1929, there was published in the Federal Reserve Bulletin (pages 97-103) an article entitled "Branch Banking Developments to June 30, 1928", which not only brought up to date much of the statistical data on this subject but also contained a brief summary of the legal situation existing on June 30, 1928. This showed that, in the period which had elapsed since the enactment of the McFadden-Pepper Act of February 25, 1927, several States had enacted legislation expressly forbidding branch banking. A table published in this article indicates that on June 20

1928, branch banking was permitted in 22 States and in the District of Columbia, but was limited to the city or county in which the head office of the bank was located in 10 of these States and was permitted only in the home county and adjoining counties in one State and only in the home city or territory contiguous thereto in one other State, so that 12 of the States in all permitted branch banking only within limited geographical limits, while 10 States (not counting the District of Columbia) permitted branch banking without any geographical limitation. Branch banking was prohibited (except as to branches already existing) in 20 States. In only 6 States was there no legislation on the subject of branch banking, and no branches in operation. A copy of this article is attached as Exhibit E.

6. In October, 1929, there was prepared in the office of the Board's General Counsel, with assistance of Counsel to the various Federal reserve banks, a digest of State laws regarding the ownership of bank stock by holding corporations. This was not published, but a copy is attached hereto as Exhibit F. It shows that only 19 States had any legislation affecting this subject either expressly or by implication. In most of these States the legislation obviously was not intended to deal directly with the subject of chain or group banking. Most of the legislation was very general in its character and dealt only with the general powers of banks to own stock in other corporations or in other banks. Only in the States of New Jersey, Oregon, West Virginia and Wisconsin, did there appear to be any legislation designed specifically to restrict chain banking.

7. In December, 1929, there was published in the Federal Reserve Bulletin (pages 762-771) an article with reference to branch and chain

banking developments during the year 1929. This article pointed out that "the area within which banks were operating branch offices" on June 30 was composed of 28 States and the District of Columbia. In 9 of these States, however, any further extension of branch banking has been prohibited by law, leaving 19 States and the District of Columbia as composing what may be called "the branch banking area", to which may perhaps be added Wyoming, whose banking code would seem to permit branch banking, although no branch offices have been reported from this State. In 8 of these States (or 9 including Wyoming) State-wide branch banking is permitted, the establishment of branches being restricted in the other 11 States to the home city of the parent bank or territory nearly contiguous thereto. In tables published on pages 768 to 770, giving the data for individual States, the States are grouped with reference to the status of branch banking as defined in the State banking codes. A copy of this article is attached hereto as Exhibit G.

8. In February, 1930, the office of the Board's General Counsel, with the assistance of Counsel to the various Federal reserve banks, completed a preliminary draft of a new digest of State laws regarding branch banking. This digest has recently been completed in final form, and a copy of the final draft is attached hereto as Exhibit H. This digest shows that the establishment of branch banks is prohibited in 22 States; that the establishment of branches is authorized in 19 States, and that there are no specific provisions covering branch banks in 7 States. Of the 19 States permitting branch banking, nine permit State-wide branch banking and ten permit branch banking only within limited areas.

II. STATISTICAL RESEARCH ON BRANCH BANKING.

1. June, 1924. - The first survey made for the Federal Reserve Board on Branch banking in the country as a whole, i.e., including non-member as well as member banks, was prepared as of June, 1924, and the results were published in the 1924 December Bulletin, pages 925-940. That summary showed that 681 member and nonmember banks, out of a total of 28,468, were operating a total of 2,233 branches. Of this number, 248 were branches of national banks, 1,137 were branches of State bank members and 848 were branches of nonmember banks. The States in which the largest number of branches were reported at that time were California - 538, New York - 359, Michigan - 332, and Ohio - 203. A copy of the Federal Reserve Bulletin for December, 1924, is attached hereto as Exhibit B.

2. December, 1925. - The next survery on branch banking made for the Board was as of December, 1925, and the results are published on pages 401-408 of the June 1926 Federal Reserve Bulletin. This survey showed that the number of banks operating branches had increased from 686 in June 1924 to 735 in December 1925, and the number of branches in operation from 2,243 to 2,572. Of the total number of branches in operation in December 1925, 332 were branches of national banks, 1,280 of State bank members and 960 of nonmember banks. A copy of the Federal Reserve Bulletin for June, 1926, is attached hereto as Exhibit D.

3. December, 1926. - In 1926 the Board decided to maintain a complete record of all branches coming into or going out of existance of all banks in the country, and the Federal reserve agents were instructed to prepare the necessary data for this purpose. On the basis of this new record a compilation was prepared as of December, 1926, and presented to the Board

in Mr. Smead's memorandum of April 27, 1927. Briefly this memorandum summarized the branch banking situation at the end of 1926 as follows:

> "The summary shows that out of a total of 28,000 banks in the United States on December 31, 1926, 789 banks in 401 cities were operating 2,777 branches. If mutual savings and private banks are excluded, in order to obtain figures comparable with previous compilations, it is found that 730 banks were operating 2,690 branches at the end of 1926, as compared with 735 banks with 2,572 branches in December 1925, and 686 banks with 2,243 branches in June, 1924. There was during 1926, therefore, an increase of 118 in the number of branches in operation (exclusive of branches of mutual savings and private banks) and a nominal decrease in the number of parent banks operating the branches, this decrease being more than accounted for by consolidations of banks having branches."

A copy of this report (St. 5334) is attached hereto as Exhibit I. The same statistics, i.e., for December, 1926 were published in somewhat different form in the May, 1927, Bulletin, pages 315-318 and 384-389, a copy of which is attached hereto as Exhibit J.

4. February 25 and June 30, 1927. - Under date of February 17, 1928, Mr. Smead submitted a memorandum to the Board summarizing the branch banking situation as of the date on which the so-called McFadden Bill was passed. This memorandum also brought the statistics up to date as of the end of June, 1927. The following material taken from the first page of that memorandum shows briefly the status of branch banking at the time the McFadden Act was passed, as well as four months later, i.e., in June, 1927:

> "On February 25, 1927, the date on which the McFadden amendment to the Federal Reserve and National Bank Acts became effective, there were in the United States 777 banks in 396 cities which were operating a total of 2,902 domestic branches, the figures by classes of banks being as follows:

	Number of banks operating branches	Number of branches
Total - all banks	777	2,902
National banks	144	389
State bank members	189	1,562
State bank nonmembers	385	863
Mutual savings banks	50	76
Private banks	9	12

> "On June 30, 1927, the latest date for which complate figures for both member and nonmember banks are available, the number of banks operating branches was 788, or about 3 per cent of the total number of banks (about 26,800) in the United States, while the number of branches on the same date was 2,989, about one-tenth the number of banking offices (parent banks plus branches) in the country. Although the majority of the banks -- 481 out of 788 -- had branches only in the head-office city, there were 978 branches, or one third of the total number, that were located outside the head-office city.
>
> "In most cases the size of the individual branch system was small, 442 of the 788 banks having only 1 branch and 136 but 2 branches. Of the 210 banks that had more than 2 branches, 58 were located in cities of less than 100,000 population (where national banks may not hereafter establish more than 2 branches), including 3 national banks, 13 State bank members, and 42 nonmembers. There were 51 banks that had more than 10 branches on June 30, 1927, including the following which had 30 or more branches."

A copy of this report (St. 5656)is attached hereto as Exhibit K.

5. June, 1928. - The next tablulation of statistics on branch banking gives the situation at the end of June, 1928, and is covered by Mr. Smead's memorandum to the Board of December 1, 1928. The first paragraph of that memorandum contains a condensed statement of the status of branch banking and is quoted below:

> "Branch banking since passage of McFadden Act. In the 16-month period between February 25, 1927, the date on which the McFadden Act became effective, and June 30 of the present year, the number of branches of member and

> nonmember banks in operation in the United States increased from 2,900 to 3,230, or by 330, and the number of banks operating branches increased from 779 to 835, or by 56. While the net increase in the number of banks operating branches was 56, there were really 109 banks operating branches on June 30, 1928, that had no branches whatever when the McFadden bill became a law. The difference between this figure and the net increase of 56 in the number of banks operating branches is accounted for by the fact that 39 banks which on February 25, 1927, were operating branches went out of existence through merger with other banks, 10 banks abolished their branches, and 4 banks suspended operations on account of financial difficulties. Of the 2,900 branches that were in operation on February 25, 1927, 72 were no longer in operation on June 30, 1928, 64 having been abolished or merged with other branches or with the head office, and 8 going out of existence as a result of the suspension of the parent bank. There were 402 branches in operation on June 30, 1928, that were not in existence when the McFadden Act became effective, including 258 established de novo and 144 that succeeded independent banks."

A copy of this report (St. 5937) is attached hereto as Exhibit L.

6. June, 1929. - Under date of October 1, 1929, Mr. Smead submitted a memorandum to the Board giving status of member and nonmember banks as of the end of June, 1929, The changes that took place during that year are summarized in the following paragraph quoted from that memorandum:

> "Branch Banking Since June 30, 1928. During the 12-month period between June 30, 1928, when the last report on branches of member and nonmember banks was submitted to the Board, and June 30 of the present year the number of banks operating branches declined from 835 to 818 or by 17, while the number of branches in operation increased from 3,230 to 3,440 or by 210. Although as just stated there was a decrease during the year of 17 in the number of banks operating branches, there were 58 banks operating branches on June 30, 1928, which had no branches in operation a year earlier. This is accounted for by the fact that 51 banks which were operating branches in June 1928 went out of existence during the year through merger with other banks, 5 banks suspended operation on account of

> financial difficulties, and 17 abolished their branches. Of the 3,230 branches that were in operation on June 30, 1928, 96 were discontinued during the year, 81 were abolished or merged with other branches, and 15 went out of existence as a result of suspension of the parent bank. There were 306 branches in operation on June 30, 1929, that were not in existence on June 30, 1928, including 171 established de novo, and 135 that succeeded independent banks."

A copy of this report (St. 6335) is attached hereto as Exhibit M. The same statistics, i. e., for June 1929, were published in somewhat different form in the December 1929 Federal Reserve Bulletin, pages 762-770, a copy of which is attached as Exhibit G.

7. December, 1929, - These are the latest statistics that we have available on branch banking, but the Board's Division of Bank Operations is now finishing the preparation of a complete statement showing the branch banking situation at the end of the year 1929. A copy of this statement will be furnished to the Committee as soon as it is available; and, for convenience, it will here be designated as Exhibit N.

III. STATISTICAL RESEARCH ON CHAIN BANKING

1. December, 1922. - The Federal reserve agents were requested (by the Division of Research and Statistics) to gather together what material was available on the subject of chain banking, including a list of the chains and the constituent banks, and to send it to the Board. This material was reviewed in the Division of Research and Statistics, but apparently no memorandum on the subject was prepared for the Board. A copy of this material is attached as Exhibit O; but apparently it is CONFIDENTIAL and should not be released.

2. June, 1926. - At the Board's request, the Federal reserve agents made another survey of chain banking as of June 1926, and a memorandum summarizing the results of this survey was presented to the Secretary of the Board by Mr. Smead under date of May 7, 1927. This memorandum summarized the situation briefly as follows:

> "A review of the data submitted indicates that on the whole there is relatively little chain banking in the eastern section of the country, though quite a number of small chains or affiliations are reported in New York and New Jersey. In the central and western States, however, in most of which there is little or no branch banking, chain banking appears to be conducted on a considerable scale. The banks in the chains are in most cases controlled by a majority ownership of stock - sometimes through a holding company, but quite often the banks' policies are dominated by interests owning a substantial part but not a majority of the stock. Quite a number of the constituent banks, it will be noted from the statement attached, are national banks, particularly in New York, New Jersey, Minnesota, Kansas, and Oklahoma."

A copy of this report is attached as Exhibit P. Apparently the part typed on white paper (which contains the names of the banks) is CONFIDENTIAL and should not be released.

3. June, 1928. - Another survey was made by the Federal reserve

agents as of the end of June, 1928, and a memorandum summarizing the agents' reports on this subject was presented to the Federal Reserve Board by Mr. Van Fossen of the Division of Bank Operations under date of January 17, 1929. The situation prevailing at that time was summarized in the memorandum as follows:

> "Attached hereto is a summary showing the extent of chain banking in the various States, grouped in accordance with the provisions of State laws as regards branch banking. It will be noted, as might be reasonably expected, that chain banking has had very little development in those States in which State-wide branch banking is permitted by State law. Generally speaking, also, chain banking has not developed extensively in those States in which branch banking restricted as to location is permitted. The greatest development of chain banking exists in those States which either prohibit branch banking or in which, while there is no prohibitory legislation, branch banking is not practiced.
>
> "In States which permit either State-wide or local branch banking there is, of course, little occasion for the operation of a number of local banks in a chain, and as a matter of fact except, in the case of Chicago and Pittsburgh, where branch banking is prohibited, there are no known instances of a banking chain located either entirely or chiefly within a large city. The Old Colony Trust Company of Boston and the Marine Trust Company of Buffalo each have banking chains confined to banks located within a comparatively short distance of Boston and Buffalo, respectively, and constituting in effect extensions of their branch systems restricted by law to within the head office city. The only other notable instances of large city banks controlling a chain of banks consisting of or including banks located outside of the head office city are encountered in California and may be due in part to the restrictions of the McFadden Act against State-wide branch banking by member banks. The typical chain banking system is, in fact, apparently a group of country banks, usually including one or more members of the Federal Reserve System, united by common stock ownership, in most instances by an individual or group of individuals, into a banking combination that under State law could not exist in the more obvious form of a branch-banking system."

A copy of this report is attached as Exhibit Q. The entire report is marked CONFIDENTIAL, though the summary on the first few pages

probably could be released if names of banks are deleted.

4. June, 1929. - A fourth survey was made by the Federal reserve agents as of June, 1929: and, in order to insure uniformity in the reports on the subject, in so far as practicable, each Federal reserve agent was supplied with a copy of the reports rendered the year before covering the entire country. The survey for June, 1929, was felt, therefore, to be much more comprehensive and reliable than any that had been previously made.

A memorandum summarizing the chain banking situation in June, 1929, was presented to the Board by Mr. Smead on September 20, 1929. Following is an extract from this memorandum.

> "...Reports of the agents indicate that on June 30, 1929, there were 231 chains comprising 1,563 banks of which 597 were National banks and 966 State banks. It is noteworthy that as of the same date, June 30, 1929, there were 818 banks operating 3,440 branches which taken together with the chain banks makes a total of over 5,800 banking offices belonging to branch or chain banking groups. As there were about 28,550 banking offices in the United States on June 30, the number connected with branch and chain banking groups constitute over 20 per cent of the total.
>
> "The States in which chain or group banking has had its principal growth are Minnesota, New York, Iowa, Illinois, Michigan, Arkansas, Nebraska, North Dakota, Washington, Oklahoma, Kansas, Utah, and New Jersey. Branch banking is prohibited by law in seven of these States, in three others it is limited to the city in which the head office is located, and in the other three there is no provision in the State law regarding branch banking and there are no branches in operation."

There is available at this time only one carbon copy of the record for June, 1929, but the memorandum prepared for the Board and the accompanying list of banking chains or groups is attached as Exhibit R.

After the data on chain banking as well as branch banking as of June, 1929, had been presented to the Board, the material was written up and published in somewhat different form in the December, 1929, Federal Reserve Bulletin. That part of the article pertaining particularly to chain banking appears on pages 765 and 771, a copy of which is attached as Exhibit G.

5. December, 1929. - There are still some reports outstanding on the subject of chain banking as of December, 1929, but they probably will not affect materially the preliminary summary of the situation as given in a memorandum of February 15, 1930. The situation is pretty well summarized on the first page of the memorandum, the first two paragraphs of which read as follows:

> "We have just completed a preliminary compilation on chain banking as of the end of 1929, subject to some revision upon receipt of additional data in a few instances. On the basis of the data now available it appears that there were 287 banking chains or groups in the United States at the end of December embracing 2,069 banks, as compared with 274 groups embracing 1,806 banks at the end of June. The 2,069 banks reported as belonging to banking groups or chains at the end of the year constituted about one-twelfth of the 25,000 banks in the country, while the loans and investments of the chain banks were about $10,500,000,000 or nearly one-sixth of the aggregate loans and investments of all banks in the United States.
>
> "National banks reported as members of banking chains or groups numbered 791 at the end of December as compared with 646 in June, state bank members 134 compared with 111 in June, and nonmember banks, 1,144 compared with 1,049 in June. Loans and investments of the national banks belonging to the banking groups were approximately $5,600,000,000 or about one-fourth of the total for all national banks, while loans and investments of State bank members belonging to the groups aggregated $3,000,000,000, and of nonmember banks $1,800,000,000."

A copy of this preliminary report is attached as Exhibit S. It is marked CONFIDENTIAL; but part of it could be released if names are deleted.

6. 1927 Annual Report. - The subject of chain banking was discussed in the Board's Annual Report for the year 1927 (page 31), as follows:

> "During the past few years the expanding operations of financial companies specializing in the purchase of bank stock have presented special problems to Federal and State officials charged with the responsibilities of bank supervision. Such companies have been organized in increasing numbers to operate extensively in the field of banking, not simply as investment agencies but specifically in individual instances to acquire control of corporately independent banking institutions, through stock ownership, and to exercise this centralized control in effecting bank mergers; in extending identical or virtually single corporate control over companies operated as subsidiaries in special fields of banking; in building up branch systems in States which permit branch banking; and in building up in those and in other States - but particularly in States which do not permit branch banking - chain systems, embracing in individual instances banking institutions operating under national and State charters in several States. Since such companies are not directly engaged in the business of banking as defined in Federal or State statutes, they have not been subject to supervision or regular examination by banking authorities. In some respects the control exercised through stock ownership over a group of banks operated as a system is similar to that exercised by a parent bank over its branch offices. This character of the financial company brings it clearly within the field of banking activities, and banking officials have been urged to subject developments of this character to careful scrutiny."

A copy of this Report is attached as Exhibit T.

7. 1928 Annual Report. - In this report the subject is discussed in somewhat greater length on pages 30-31 and the report shows the number of chains in operation in each State in June, 1928. A copy of the Report is attached as Exhibit U.

IV. BRANCH BANKING AND ITS EFFECT IN FOREIGN COUNTRIES

In order to ascertain the possible effect of unrestricted branch banking in this country, the Board has caused investigations to be made of the history of branch banking in foreign countries with special reference to its effect on unit or single office banks in those countries. The information obtained is very enlightening and will be summarized below:

1. Canada. - Among banks doing a general banking business, the unit bank has disappeared. As of December 31, 1928 ten chartered banks controlled general banking in the Dominion. Each of these is a branch banking system with none having less than 30 branches. The three largest banks, the Royal Bank of Canada, the Bank of Montreal, and the Canadian Bank of Commerce, have $2.5 billion in assets out of $3.5 billion, the aggregate of all ten. Of the 3,966 domestic branches and agencies of the chartered banks, these three largest banks have 2,219.

The progress of concentration from 1868 to 1928, which resulted in the decrease of the total number of banks from 21 to 10, is shown by a table contained in a report attached hereto as Exhibit V.

2. British Isles. - Among banks doing a general deposit business, the unit bank has practically disappeared in the British Isles. Only seven small institutions doing all their business at one office exist. Indeed, most of these are doubtfully classified as deposit banks, some classifications placing them among acceptance or discount houses. Forty-two concerns are in the general deposit banking business in the British Isles, with 12,837 offices in all. The five big banks have 8,050 of these offices and have 67 per cent of the banking assets. Twenty-six concerns, including the big five, each with more than 100 offices, have 93 per cent of the assets.

A century ago banking in the British Isles was done by private banking houses. By 1862 joint stock banks were not uncommon but real impetus to

their organization was given in that year by an act which permitted the registration of such banks with limited shareholder liability. Before 1880 Lloyds Banking Company had participated in a number of amalgamations, and concentration moved rapidly after that date. However, it was not until 1896, that 20 private banking concerns united in Barclays Banking Company, and the fifth of the present big five began its career.

During the period between 1895 and 1928, the total number of banks in the British Isles was decreased from 154 to 42.

More detailed information on this subject is contained in a report attached hereto as Exhibit W.

3. Germany. - In Germany, the movement from the unit bank to a branch banking system among banks doing a general banking business advanced considerably in the twenty years from 1888 through 1907.

In 1888, 164 credit or joint stock banks with 173 branches were in existence. By 1907, there were 421 such banks with 1,064 branches. Of the total number existent in that year almost 200 were small unit banks with paid-in capital of less than 1,000,000 marks. These small banks controlled less than 2 per cent of the aggregate paid-in capital of the 421 credit banks. By the end of 1926, out of a total of 488 credit banks, as many as 354 were classified as having less than 1,000,000 marks capital. Unfortunately no figures for all credit banks are available to us since that date. However, the absorption of the smaller banks by the larger ones has progressed rapidly since that time, it is said.

For a long period of years, four great Berlin banks have been in the forefront of German banking - Deutsche, Disconto-Gesellschaft, Dresdner, and Darmstadter. The first two have recently merged. Among the 100 largest credit banks in Germany in 1907, these four banks controlled 27 per cent

of the aggregate capital and in September 1929, 42 per cent.

More detailed information is contained in a report attached hereto as Exhibit X.

4. France. - The unit bank in France has suffered severely from the competition of extensive branch banking systems and has been losing ground in recent years. Four great French banks, doing a general business, control approximately one-half the commercial banking business in France, it has been estimated. Three of these have a large net-work of branches throughout the country: Credit Lyonnais, 1014 branches; Societe Generale, 1350 branches; Comptoir d'Escompte, over 250 branches. The fourth, the Credit Industriel et Commercial, has many branches in Paris but none outside the city.

In addition to these large banks there are several sizeable banks which have many branches in particular regions of the country. For example, there are the Credit du Nord (branches in 75 places), Societe Nanceienne (105 branches and agencies), Banque Privee (more than 200 branches and agencies) and Societe Marseillaise (107 branches and agencies). Figures for branches are as of 1922. No satisfactory figures exist as to how many banks of a purely local importance survive. It was estimated for the National Monetary Commission (1911) that there were 2700-2800 banks (probably a loose classification) in France. The growth of the four big banks and the regional banks has been at the expense of the local bank, which is said to play a small role in French banking today.

More detailed information is contained in a report attached hereto as Exhibit Y.

5. Japan. - The unit bank in Japan is losing ground rapidly in the

face of a progressive branch banking movement. In the past few years the tendency has been deliberately fostered by the government based on the belief that larger organizations would contribute to stability. Between 1913 and 1928 the total number of banks was reduced from 2156 to 1163.

Of the 1163 banks in existence in 1928, 100 were savings banks, 32 special banks, and the remainder ordinary banks which do a general banking business. The special banks were individually chartered to further some particular end often as public or semi-public institutions. In this group are the Bank of Japan, Bank of Chosen, Bank of Taiwan, Yokohoma Specie Bank, and the agricultural and industrial banks. Moreover, these figures do not include Japanese trust companies and cooperative banks.

Fourteen important ordinary banks at the end of 1928 had deposits equal to 55 per cent of all the deposits of the ordinary banks. The Big Five alone had 34 per cent of the aggregate of such deposits.

More detailed information is contained in a report attached hereto as Exhibit AA.

V. HISTORY OF BRANCH BANKING IN THE UNITED STATES.

The early history of branch banking within the United States has been the subject of research work done by Honorable Edmund Platt, Vice Governor of the Federal Reserve Board, in connection with certain speeches delivered by him. The more recent history of branch banking in the United States is very well covered by a series of articles published in the Federal Reserve Bulletin, commencing with the number for December, 1924. This material will be discussed briefly and copies will be attached as exhibits.

1. "Branch Banking Before the Civil War." In an address on this subject delivered before the National Bank Section of the New York State Bankers' Association at Ithaca, New York, on June 22, 1925, Mr. Platt points out that branch banking was very much in evidence in this country before the Civil War, especially in the West and in the South.

In 1848, out of 48 banks in Ohio, 29 were branches of the Ohio State Bank; Indiana had 17 branches of one State bank and no independent banks; Missouri had 1 bank and 5 branches; Kentucky 3 banks and 13 branches; Tennessee 3 banks and 17 branches; Virginia 6 banks and 30 branches; North Carolina 4 banks and 14 branches; South Carolina 12 banks and 2 branches; Georgia 13 banks and 7 branches; Delaware 5 banks and 3 branches and Alabama 2 banks and 4 branches. At the same time no branches were listed in the Eastern States except two each in the States of New York, Maryland and New Jersey.

In 1860 the situation was similar, though Illinois appeared with 75 banks, Indiana with 13, all of which were branches of the State Bank of Iowa, and Missouri had 42 banks of which 33 were classed as branches.

The two branches existing in New York in 1848 had disappeared in 1860, and apparently branch banking was forbidden in New York, Pennsylvania, Massachusetts and Connecticut.

Mr. Platt's address contains an interesting discussion of the motive for the establishment of such branches (which appeared to be the facilitation of the issue of bank notes which would be difficult to redeem) and also the reasons for the opposition to the establishment of branches in Eastern States.

A copy of Mr. Platt's address is attached as Exhibit B B

2. "Branch Banking for Country Banks." On May 20, 1927, Mr. Platt made an address at Birmingham, Alabama, before a meeting of the American Bankers' Association, at which he discussed the above subject. In this address he pointed out that, in the early days of banking in the United States, the right of any bank to establish branches was rarely questioned; both the First and Second Banks of the United States had branches; many of the early State banks established branches; and branches were looked upon as the natural means of providing banking facilities and convenience to the smaller communities.

He discussed the development of banking in the United States, commencing with the first incorporated bank in Philadelphia in 1781 and pointed out that the Philadelphia Bank, chartered in 1804, established branches in many of the interior towns of Pennsylvania, pursuant to an act of the legislature passed in March 1809. It also appears that the Bank of Manhattan Company had at least 3 branches outside of New York in 1811. It appears that most of these branches in the Eastern States were replaced by smaller independent banks during the early part of

the Nineteenth Century.

This speech also reviews again the cause leading up to legislation in the Eastern States restricting the establishment of branches, which apparently was due to the fact that banks were frequently located in remote places with branches in the financial centers at which their circulating notes were redeemed at a discount. From this, Mr. Platt reached the conclusion that the early legislation restricting branch banking was not really aimed at branch banking itself but at the issuance of "wild-cat currency."

In the South and the West, however, branch banking was the general rule. In this connection much of the statistical data incorporated in Mr. Platt's earlier speech with reference to branches in the Southern and Western States in 1848 and 1860 is covered again.

Mr. Platt states that the branch banking systems in the South and West successfully weathered the panic of 1857; and it seems to have been expected in 1866, when the State bank notes were taxed out of existence, that the successful banks in the Western States would convert into national banks and retain their branches. It appears, however, that they did not do so but reorganized as national banks and reorganized their branches as independent unit banks.

Mr. Platt points out that in 1860 the country banks in the South and West had a much larger average capitalization than at present, but that the authority contained in the National Bank Act for the organization of banks with a capital of only $50,000 furnished an impetus for the organization of small banks and that some of the Western

States "ran wild in the effort to provide banking facilities in the very smallest towns by permitting the organization of independent banks with a capital as small as $10,000, and even in a few States $5,000."

Mr. Platt then traces the difficulties arising out of the organization of numerous small independent banks and calls attention to the number of failures among them in the panic of 1893. From about that time he traces the modern development of branch banking, which apparently started in the Southern States and in California.

Mr. Platt then discusses the number of bank failures in small banks during the years 1921 to 1926, inclusive, and calls attention to the fact that almost two-thirds of the suspended banks had a capital of $25,000 or less and that 72 per cent of them had a capital of less than $50,000. He points out that, in his annual report for the year 1898, Mr. Charles G. Dawes, then Comptroller of the Currency, recommended that branch banking be authorized in communities of less than 2,000 inhabitants, since many of such communities were not able to support independent banks. He then compares the experience of farmers in the wheat sections of the United States where the independent bank system was in operation and in Canada where the branch banking system was in operation and concludes that, "The Canadian farmers have lost nothing from the bank failures while $298,070,000 in deposits has been tied up and at least 50 per cent of it lost, in the bordering States of Montana, North and South Dakota and Minnesota in 1134 bank suspensions in the past six years, nearly all of them in small towns and small banks."

Mr. Platt states that he does not advocate nation-wide branch banking for the United States, but believes that we need and must have

"larger country banks with a limited number of branches along the lines of the development that has taken place in many of the Southern States for many years." He claims that the McFadden Act discriminates against country banks and in favor of banks in the big cities. He reviews the statistics with reference to the number of branch banking organizations in the United States and concludes with a plea for branch banking in the country districts.

A copy of Mr. Platt's speech is attached hereto as Exhibit C C.

3. Recent Growth of Branch Banking through 1924. On pages 925 to 940, inclusive, of the Federal Reserve Bulletin for December, 1924, there is published an article entitled, "Branch Banking in the United States", which contains a comprehensive survey of the recent growth of branch banking in this country through the year 1924. No attempt will be made to summarize this article here, but its scope may be indicated by listing its various headings, which are as follows:

Limitations upon Federal Control of Branch Banking.

Administrative Policy of the Board Prior to November, 1923.

Brannh Banking Recommendations to Congress.

Resolution on Branch Banking Adopted by the Board on November 7, 1923.

Further Definition of the Board's Branch Banking Policy. (In the Regulations of 1924.)

Extent of Branch Banking in the United States.

Legal Status of Branch Banking.

Branch Banking within and without the Federal Reserve System.

Resources of Banks Operating and Not Operating Branches.

Banks Operating Home City and Outside Branches.

Size of Branch Systems.

Branches in and Outside of the Home City of the Parent Bank.

Parent Banks and Branches Classified by Population of Community in Which Located.

Growth of Branch Banking, 1865-1924.

Classification of Parent Banks and Branches by Federal Reserve Districts.

State Totals.

A copy of this article is attached hereto as Exhibit B.

4. Branch Banking in the United States from June, 1924, to December, 1925. On pages 401 to 414, inclusive, of the Federal Reserve Bulletin for June, 1926, there is published an article entitled, "Branch Banking in the United States", which describes the development of branch banking from June, 1924, to the end of December, 1925, and thus supplements the article published in the Federal Reserve Bulletin for December, 1924. It contains not only a discussion of the development of branch banking during this period but also a classification of the States with reference to their branch banking laws as of December 31, 1925, and certain valuable statistical material with reference to the status of branch banking in this country on the same date. A copy of the Bulletin containing this article is attached as Exhibit D.

5. Branch Banking Developments in 1926. On pages 315 to 318, inclusive, of the Federal Reserve Bulletin for May, 1927, there is

published an article describing the development of branch banking in the United States during the year, 1926, which supplements the earlier articles on this subject. It contains discussions of the legal status of branch banking, the extent of branch banking, branch banking in California, and the method of establishing branches, and also valuable statistical tables showing the status of branch banking at the end of the year 1926. A copy of the Bulletin containing this article is attached hereto as Exhibit J.

6. Branch Bank Developments to June 30, 1928. On pages 97 to 103, inclusive, of the Federal Reserve Bulletin for February, 1929, there is published a discussion of branch banking developments in the United States from the end of the year 1926 to June 30, 1928, which supplements the earlier articles on this subject. This article is especially interesting because it describes the effect of the McFadden-Pepper Act of February 25, 1927, during the first eighteen months of the functioning of that Act. It contains a table showing the States permitting, restricting, and prohibiting branch banking to June 30, 1928, tables showing the number of banks operating branches and the number of branches in operation, together with the increase in these numbers from February 25, 1927, to June 30, 1928, together with other valuable statistical material. A copy of this article is attached as Exhibit E.

7. Branch and Chain Banking Developments to June 30, 1929. On pages 762 to 771, inclusive, of the Federal Reserve Bulletin for December, 1929, there is published an article discussing the branch

and chain banking developments in the United States during the year ending June 30, 1929. This not only supplements the information with reference to branch banking published in earlier articles, but contains much valuable material with reference to chain banking. The scope of the article may be indicated by the captions in the text and the headings of the tables, which are as follows:

Changes 1927 to 1929.

Banks Initiating and Discontinuing Branch Banking and Branches Established and Discontinued; 1927-1929.

Branch Banking Area.

Size of Branch Systems.

Size of Branch Systems for Patent Banks Located in Large and Small Cities; June 30, 1929.

Urban and Rural Systems.

Chain Banking.

Summary of Branch Banking Developments; 1924 to 1929.

Branch Systems with Head Offices in Selected Cities.

Banks Operating Domestic Branches and Number of Branches, by States; June 30, 1929.

Banks Operating Domestic Branches and Number of Branches, by States; June, 1924-June, 1929.

Size of Branch Systems and Location of Branches; June, 1929 and 1928.

Chains and Banks in Chain Systems, by States; June 30, 1929.

A copy of this article is attached as Exhibit G.

VI. FEDERAL LEGISLATION ON BRANCH BANKING.

Congress has in several instances enacted legislation authorizing the establishment of branch banking systems. In the early years of this country, 1791 and 1816, Congress authorized the establishment of the First Bank of the United States and the Second Bank of the United States. Both of these banks were authorized to establish branches in any part of the United States. The National Bank Act did not expressly forbid the establishment of branches; and the amendment of March 3, 1865, (Section 5155 of the Revised Statutes), authorized State banks having branches, with capital assigned to the head office and branches in definite proportions, to convert into national banks and retain their branches, regardless of their location.

Branch banking systems for particular purposes were also authorized when Congress authorized the establishment of the postal savings banks, Federal reserve banks, Federal land banks, joint stock land banks, Federal intermediate credit banks, and the War Finance Corporation. The establishment of branches in each of these systems, however, was permitted only under certain conditions and subject to certain restrictions and safeguards. Indetermining what legislation should now be enacted with reference to the establishment of branches by commercial banking institutions, it would be advisable to examine carefully the restrictions and safeguards which Congress has thrown about the establishment of branches in the banking systems it has heretofore authorized.

The legislation authorizing these various systems of branch banks will be discussed very briefly.

1. First Bank of the United States. In 1791 Congress chartered the First Bank of the United States. The charter of this bank provided that its head office should be located at Philadelphia and authorized its board of directors to establish branch offices within the United States wherever thought fit, for purposes of discount and deposit. It appears that eight branches of the First Bank of the United States were established in various parts of the country.

2. Second Bank of the United States. In 1816 Congress authorized the establishment of the Second Bank of the United States with its head office in the city of Philadelphia. The charter of this bank authorized its directors to establish branch offices wherever they thought fit within the United States, for purposes of discount and deposit. It appears that 18 of such branches were established by this bank.

3. National Banks. The National Bank Act did not expressly forbid the establishment of branches, and it was not until January 28, 1924, when the Supreme Court of the United States rendered its decision in the famous case of First National Bank in St. Louis v. State of Missouri, 263 U.S. 640, that it was definitely and finally settled that national banks could not establish branches under the provisions of that Act. Even after that decision, it was contended that, in the exercise of their incidental powers, national banks could establish "additional offices" for the performance of certain limited functions within the limits of the city or town in which they were located.

Although the National Bank Act did not expressly authorize the establishment of branches by national banks, the amendment of March 3, 1865, (Section 5155 of the Revised Statutes) specifically provided that State banks having branches with capital assigned to the head office and branches in definite proportions could convert into national banks and retain their branches, regardless of the location of such branches. Moreover, under the Act of November 7, 1918, a national bank having branches retained upon conversion from a State bank could consolidate with another national bank and the consolidated bank could retain the branches. Where the State law was suitable, therefore, national banks could acquire branches by the device of organizing a State bank with branches, converting it into a national bank, and consolidating with it. In 1925 there were in existence 103 branches of national banks acquired under these Statutes.

All of this, of course, was changed by the McFadden Act of February 25, 1927, which expressly authorized national banks to establish branches within the limits of the city or town in which their head offices are located but expressly forbids them to establish or acquire, by consolidation or otherwise, branches beyond the limits of the city, or town in which their head offices are located, except that they may retain or acquire by consolidation or conversion branches lawfully established and in actual operation prior to the passage of that Act. This will be discussed in more detail under a separate heading.

In this connection, it may be pointed out that, under the provisions of Section 25 of the Federal Reserve Act, any national bank having a capital and surplus of $1,000,000 or more with the

permission of the Federal Reserve Board, and upon such conditions and under such regulations as may be prescribed by the Board, may establish branches in foreign countries or dependencies or insular possessions of the United States; but this privilege is denied to State member banks of the Federal Reserve System under the provisions of the McFadden Act.

4. Postal Savings Banks. In 1910 Congress authorized the establishment of the postal savings system (United States Code, Title 39, Chapter 20). This system is under the control, supervision and administration of a board of trustees consisting of the Postmaster General, the Secretary of the Treasury and the Attorney General. Every post office designated by the Postmaster General may act as a postal savings depository and receive deposits of funds from the public. Such funds may be received from any one person in amounts of $1.00 or multiples thereof, but not more than an aggregate amount of $2,500 may be received from any one person. Interest at the rate of 2 per cent per annum is to be paid upon such deposits. These deposits may be withdrawn under such regulations as the Postmaster General may prescribe. The law contemplates that 5 per cent of postal savings deposits shall be kept with the Treasurer of the United States as a reserve and that the balance of such deposits shall be deposited in banks located in the city, town or village of the postal savings depository which receives such deposits, or under certain circumstances with the Treasurer of the Board of Trustees. The law also provides that under certain circumstances these deposits may be invested in bonds or other securities of the United States. Depositors in the postal savings system may surrender their deposits in certain specified amounts and receive therefor bonds of the United States. It

appears from these facts that the postal saving system is a form of branch banking with the controlling and supervising board located in Washington, D. C. and with branches located in the various post offices designated by the Postmaster General in different parts of the country.

It appears from the Annual Report of the Postmaster General for the fiscal year ending June 30, 1929, that at the close of that year there were 6,770 postal savings depositories in operation in the various post offices, including 794 such depositories located in branch post offices. Postal savings deposits held for depositors at the end of that fiscal year amounted to $158,055,538.55 and there were 416,580 depositors.

5. Federal Reserve Banks. In 1913 Congress enacted the Federal Reserve Act to provide for the establishment of Federal reserve banks, to furnish an elastic currency, to afford a means of rediscounting commercial paper, and to establish a more effective supervision of banking in the United States (United States Code, Title 12, Chapter 3). This act authorized the division of the continental United States, exclusive of Alaska, into not more than 12 districts and the establishment in each district of one Federal reserve bank. The Act authorized such Federal reserve banks to exercise certain banking powers and to perform certain functions for the national and State banks which were required or permitted to become members of the Federal reserve system by the purchase of stock in a Federal reserve bank. It provided for the creation of the Federal Reserve Board with supervisory powers over the entire Federal reserve system, and Section 3 of the Federal Reserve Act authorizes the Federal Reserve Board to permit or require any Federal reserve bank to establish branch

banks within the Federal reserve district in which it is located or within the district of any Federal reserve bank which may have been suspended. Pursuant to this authority the Board has permitted the Federal reserve banks to establish branches within their respective districts. The total number of such branches which have been established is 25. It will thus be seen that, when Congress enacted the Federal Reserve Act, it authorized the establishment of a system of banks having branches with the supervisory power over such system vested in the Federal Reserve Board, with its offices in Washington, D. C., and the banking functions vested in the Federal reserve banks and their branches located in various parts of the United States. It will be noted that Congress in this instance restricted the establishment of branches of a Federal reserve bank to the district in which the particular Federal reserve bank is located, except in those cases where a Federal reserve bank may have been suspended.

6. Federal land banks and Joint stock land banks. In 1916 Congress enacted the Federal Farm Loan Act to provide for loans on farm lands secured by mortgages (United States Code, Title 12, Chap. 7). This Act authorized the creation of the Federal Farm Loan Board with supervisory powers and the creation of Federal land banks and joint stock land banks with power to make farm loans and, with the approval of the Federal Farm Loan Board, to issue farm loan bonds. It was provided that the continental United States, exclusive of Alaska, should be divided into 12 districts and that in each district there should be established one Federal land bank. It was not required, however, that only one joint stock land bank be established in each district. Such Federal land banks and joint stock land banks were authorized, with the approval of the Federal Farm Loan

Board, to establish branches within the district in which such banks are located. The Federal Farm Loan Board was also authorized to designate a Federal land bank which might establish a branch in Porto Rico and to designate a Federal land bank which might establish a branch in the Territory of Alaska. It will be seen that in this instance Congress has again provided for the establishment of a banking system with branches with the supervisory powers over such system vested in a board with offices in Washington, D. C., and the banking functions vested in banks and branches thereof located in various parts of the country. It is significant that here also Congress has restricted the right of each bank to establish branches to the area of the district in which it is located.

It appears that no branches of either Federal land banks or joint stock land banks have been established in the United States. One branch of a Federal land bank, however, has been established in Porto Rico.

7. War Finance Corporation. In 1918 Congress enacted legislation to create the War Finance Corporation and authorized this corporation to make loans to persons, firms, or corporations whose operations were necessary or contributory to the prosecution of the war. (United States Code, Title 15, Chap. 9). By a later amendment the corporation was also authorized to make loans for agricultural purposes. This corporation was also authorized to issue its notes or bonds. The management of the corporation was vested in a board of directors consisting of the Secretary of the Treasury and four other persons appointed by

the President, with the advice and consent of the Senate. It was provided that the principal office of the corporation should be located in the District of Columbia, but the corporation was authorized to establish agencies or branch offices in any city, or cities, of the United States, under rules and regulations prescribed by its board of directors. Congress thus authorized the establishment of a branch banking system for a particular purpose and subject to certain restrictions and supervision.

At the peak of its activity the War Finance Corporation had 33 loaning agencies or branches in operation in various parts of the country in connection with its loans for agricultural purposes.

8. Federal Intermediate Credit Banks. In 1923, Congress amended the Federal Farm Loan Act so as to authorize the creation of Federal intermediate credit banks. (United States Code, Title 12, Chap. 8.) This amendment provided for the establishment of twelve Federal intermediate credit banks, one to be located in each of the cities in which a Federal land bank is located, and authorized these institutions to make loans for agricultural purposes and to issue debentures. The powers granted to these institutions are to be exercised under the supervision and control of the Federal Farm Loan Board. It appears that in this instance, also, Congress has approved a form of branch banking. In this case the control and supervisory functions are vested in the Federal Farm Loan Board with its offices in Washington, D. C., and the banking functions are vested in the Federal intermediate credit banks located in different parts of the country.

9. The McFadden Act. No discussion of Congressional legislation of branch banking would be complete without a discussion of the McFadden Act of February 25, 1927, though the provisions of that Act are familiar to everyone who has made any study of the subject of branch banking.

(a) National Banks. The provisions of the McFadden Act with reference to branches of national banks may be summarized as follows:

(1) Any national bank may retain and operate such branch or branches as it had in lawful operation on February 25, 1927, regardless of their location.

(2) Any national bank which has continuously maintained and operated not more than one branch for a period of more than twenty-five years immediately preceding February 25, 1927, may continue to maintain and operate such branch, regardless of the legality of the establishment of such branch or the maintenance of it prior to the enactment of the McFadden Act.

(3) Where a State bank converts into a national bank such national bank may retain and operate any and all branches of such State bank which any bank had in lawful operation on February 25, 1927, regardless of their location.

(4) If a State bank consolidates with a national bank, such consolidated national bank may retain and operate any and all branches of either the State bank or the national bank which any bank had in lawful operation on February 25, 1927, regardless of their location.

(5) Where two or more national banks consolidate, such consolidated national bank may retain and operate any and all branches of any one of the constituent national banks which any bank had in lawful operation on February 25, 1927, regardless of their location.

(6) After February 25, 1927, national banks may establish and operate new branches subject to the following conditions and limitations:

(a) Such branches may be established and operated only within the limits of the city, town or village in which the parent bank is situated;

(b) Such branches may be established and operated only in those States the laws of which permit State banks to establish and operate similar branches;

(c) No such branch may be established in a city, town or village of which the population by the last decennial census was less than 25,000;

(d) Not more than one such branch may be established in any city, town or village of which the population by the last decennial census does not exceed 50,000;

(e) Not more than two such branches may be established in any city, town or village of which the population by the last decennial census does not exceed 100,000;

(f) In any city, town or village the population of which exceeds 100,000 the determination of the number of branches which may be established by national banks is left to the Comptroller of the Currency; and

(g) No such branch shall be established or moved from one location to another without first obtaining the consent and approval of the Comptroller of the Currency.

(7) The term "branches" as here used includes any branch bank, branch office, branch agency, additional office, or any branch place of business located in any State or territory of the United States or in the District of Columbia where deposits are received, checks paid or money lent.

(8) This section of the McFadden Act does not affect the establishment or maintenance of branches by national banks in foreign countries or dependencies or insular possessions of the United States pursuant to the provisions of Section 25 of the Federal Reserve Act.

(9) The words "State bank", "State banks", "bank" or "banks" as used in this section includes trust companies, savings banks or other such corporations or institutions carrying on the banking business under authority of State laws.

(10). National banks are expressly authorized to transact at branches established or maintained in accordance with the provisions of the McFadden Act any and all business which might be lawfully transacted at the head office.

(b) State Member Banks of the Federal Reserve System. Under the McFadden Act, any State bank which, on February 25, 1927, had established and was operating a branch or branches in conformity with the State law, may retain and operate such branch or branches while remaining or upon becoming a member of the Federal Reserve System. In other words, any nonmember State bank which, on February 25, 1927, had established and was operating a branch or branches in conformity with the State law and which becomes a member of the Federal Reserve System is entitled

by law to retain such branch or branches, regardless of the number or location thereof; and any State member bank which, on February 25, 1927, had established and was operating a branch or branches in conformity with the State law is lawfully entitled to retain and operate such branches while remaining a member of the Federal Reserve System, regardless of the location or number of such branches.

The only restriction on the establishment of branches by State member banks is that no State bank may become a member of the Federal Reserve System or may remain a member of the Federal Reserve System except upon relinquishing any branch or branches established after February 25, 1927, beyond the limits of the city, town or village in which the parent bank is located. In other words, no nonmember State bank may become a member of the Federal Reserve System except upon relinquishing any branch or branches established after February 25, 1927, beyond the limits of the city, town or village in which the parent bank is situated; and any State member bank which establishes a branch or branches beyond the limits of the city, town or village in which the parent bank is located after February 25, 1927, must either relinquish such branch or branches or give up its membership in the Federal Reserve System.

The McFadden Act prescribed no limitations upon the number of branches which State member banks may establish or maintain within the limits of the city, town or village in which the parent bank is located, nor does it require any specified population of the cities, towns and villages in which State member banks may establish or maintain branches.

On the other hand, no exception is made as to foreign branches of State member banks and the Attorney General has held that they may not lawfully establish foreign branches and remain members of the Federal Reserve System since the passage of the McFadden Act, although the right of national banks to establish foreign branches under the provisions of Section 25 of the Federal Reserve Act is expressly preserved.

There are many inequalities in the branch banking provisions of the McFadden Act as they affect national banks and State member banks, respectively, and to a certain extent that Act fails to place these two classes of banks on an equality with respect to the establishment of branches.

VII. POLICY OF FEDERAL RESERVE SYSTEM ON BRANCH BANKING

1. Annual Report for 1915. - In its annual report for the year 1915, p. 22, the Federal Reserve Board recommended to Congress that national banks be permitted to establish branch offices within the city, or within the county in which they were located. The Federal Advisory Council, under date of September 21st and November 16, 1915, had recommended that the national bank act be amended so as to permit national banks to establish branches under certain conditions.

2. Recommendations during 1916. Consistently with this recommendation, the Board in 1916 prepared and transmitted to Congress the draft of an amendment to the Federal reserve act. In the terms of this amendment national banks located in cities of 100,000 and over having a capital and surplus of $1,000,000 or more would have been permitted to establish branches within the corporate limits of the cities in which they were located, and any national banks located in other places would, with the approval of the Federal Reserve Board and under such regulations as the Board might prescribe, have been permitted to establish branches within the limits of the county in which they were located or within a radius of 25 miles, irrespective of county lines, but not in any case outside the State or Federal reserve district of the parent bank. (Federal Reserve Bulletin, pp. 323,327; 1916 Annual Report, pp. 29. 145.)

Under date of November 20, 1916, the Federal Advisory Council renewed its recommendation regarding the establishment of branches by national banks but added that the privilege of establishing branches

should apply to all banks in the national banking system and not only to such national banks as were located in States which permitted State institutions to establish branch banks. (See pages 28 and 34 of 1916 Recommendations).

An amendment drawn in compliance with the recommendations of the Board was adopted by the Senate, during 1916, and together with other amendments was referred to a conference committee of the House and Senate. In conference it developed that the amendment was not acceptable to the House conferees and the Senate on recommendation of its conferees receded from its proposal. (1916 Annual Report, p. 135.)

3. Annual Report for 1917. In its 1917 Annual Report to Congress, page 33, the Board recommended an amendment to the Federal Reserve Act to provide that any national bank located in a city or incorporated town of more than 100,000 inhabitants, and possessing a capital and surplus of $1,000,000 or more, may, under such rules and regulations as the Federal Reserve Board may prescribe, establish branches, not to exceed 10 in number, within the corporate limits of the city or town in which it is located, provided that no such branch shall be established in any State in which neither State banks nor trust companies may lawfully establish branches. The Board stated that "State banks which become members of the Federal reserve system are allowed by law to retain any branches which may already be in existence and, with the approval of the Board, to establish new branches. National banks which have taken over State banks having branches are permitted to continue the operations of these branches. There seems to be no reason for

such discrimination between members of the Federal reserve system, and with the view of placing them more nearly upon terms of equality, besides affording in many cases better service to the public, it is recommended that provision be made for the establishment of branches by national banks, under proper limitations."

4. Annual Report for 1918. In its Annual Report for the year 1918, p. 83, the Board renewed its recommendation, expressing the opinion that national banks were "at a serious disadvantage in meeting the competition of State banks with branches", and that "the proper development of the Federal reserve system makes it necessary to coordinate as far as possible the powers of all member banks." This coordination of powers could not be effected without amendment of existing laws under which "some member banks, both National and State, are given advantage over other member banks." The Board renewed its recommendation of previous years, being confident that the proposed amendment would "prove beneficial to the Federal reserve system, as well as to the communities concerned". The Federal Advisory Council also renewed its recommendation that an amendment of this character should be enacted. (p. 6, 1918 Recommendations of Federal Advisory Council.)

5. Developments during 1919. In 1919, a bill was passed by the Senate which proposed to authorize national banks in cities of 500,000 or more population, having a capital and surplus of $1,000,000 or more, to establish not exceeding 10 branches within the corporate limits of the cities in which they were located, provided State law extended a similar privilege to State banking institutions. Under

date of September 16, 1919, the Federal Advisory Council urged the Federal Reserve Board to use every effort to secure the passage of this bill in the interest of sound banking and the granting of equal banking facilities to all people in the same business. (p. 19 of 1919 Recommendations of Federal Advisory Council.)

6. Annual Report for 1919. The Board in its Annual Report for the year 1919, p. 64, made substantially the same recommendation regarding the branch banking amendment as it had made in its Annual Report for the year 1918, and commented upon the bill above referred to as follows:

> "Under the present law national banks can not afford the same facilities to the public as are given by State banks having branches, except in cases where State banks and trust companies operating branches have merged with national banks, when existing branches may be continued by the national banks. *** While the board would prefer to have this privilege (of establishing branches) extended to national banks in cities of not less than 100,000 inhabitants, or, failing that, have the population limit raised to 200,000, it wishes to point out that the limit fixed in the Senate bill does not affect the principle involved, and it therefore respectfully recommends once more that national banks be permitted to establish branches in cities in which they are located under such limitations as in the wisdom of Congress may be deemed desirable."

7. Recommendation of Agents' Conference in 1921. The Conference of Federal Reserve Agents held in October, 1921, adopted a resolution favoring the establishment of branches in the same city in which a national bank is located, provided State banks are permitted that privilege under State law. (pp. 111-115 of proceedings of October, 1921, Conference of Federal Reserve Agents.)

8. Annual Report for 1922. Again in its report for 1922, pages 5-6, the board commented briefly upon branch banking developments, noting that the establishment of branches by the larger State banks "had gone so far in a few States, notably California, and in a few large cities, including New York, Cleveland and Detroit, as to reduce greatly the number of national banks." The board expressed the opinion that the action of the Comptroller of the Currency in permitting national banks to open "additional offices" within the corporate limits of the cities in which they were located in States which permitted branch banking "does not meet the situation in California and does not fully meet it in the cities mentioned," and that "an amendment to the national banking act allowing national banks the same privilege given to State banks in States where branch banking is permitted is much to be desired."

In this connection the board noted a suggestion made by the Joint Commission of Agricultural Inquiry in its report to Congress dealing with the problem of rural credit, to the effect that "a system of limited branch banking might furnish a possible solution of this problem". Upon this suggestion the board commented as follows:

> "Such systems are in fact already established in some sections of our country, notably in California, and appear to have gone far toward solving the problem. Branch banking has lowered the rate of interest in some of the leading agricultural sections of California, and at the same time has provided added security for the deposits of the farmers. There are interesting neighborhood branch banking groups in other States, which appear to be serving their communities well."

9. Annual Report for 1923. Finally, in its 1923 report, page 48, the board notes the difficulties which originate in the differences of State laws and the competitive disadvantages under which national banks operate in States which permit branch banking, and expresses the hope "that it can by administrative measures find some reasonable method of harmonizing existing differences of interest of State and national banks in the matter of branch banking, and thus lay the basis for a policy which will result in shaping the development and practice of branch banking in the United States along useful and serviceable lines."

10. Administrative Policy of the Board prior to November, 1923. - In acting upon application of State member banks for permission to establish additional branches within the system the board, prior to November, 1923, had considered each case upon its merits, giving consideration to public convenience and to the parent bank's capacity for properly organizing the branch and assimilating the business taken over. As a matter of general policy rather than specifically of branch banking policy, the board in individual cases withheld its approval until satisfied that establishment of the additional branch or branches in question would not impair the solvency or liquidity of the parent bank. It gave consideration to the rate of expansion of the given branch system; coordination of branches already acquired; head-office control, supervision, and personnel; affiliation with outside corporations, relation of capital and surplus to deposit liabilities, especially in rapidly expanding branch systems; methods of acquiring branches; and generally to local conditions and needs in so far as they could be clearly defined. The Board distinguished branches from paying and

receiving stations not vested with discretionary power to make loans, except for inconsiderable sums and, while reserving the right to reconsider in case such offices in any instance developed into full fledged branches, it made approval of such outside offices more or less a matter of form, except where it appeared that the expense of maintaining them might impair the capital of the bank.

Although the board had not formulated any arbitrary rule requiring simultaneous examinations of head offices and branches, it had nevertheless regarded any evidence of inability on the part of State authorities to conduct proper examinations of banks maintaining extensive branch systems as being in itself adequate justification for limiting further expansion of such systems. It felt that responsibility for the conduct of adequate examinations must, in the case of member as of nonmember banks, be assumed primarily by State authorities rather than, in the case of member banks, by the Federal reserve bank of the given district.

In general, it may be observed that, prior to November, 1923, the board permitted expansion of member bank branch systems under State supervision and control, in so far as such expansion was consistent with sound banking principles of efficient administration, adequate State supervision, and complete solvency.

11. Resolution of November 7, 1923. On November 7, 1923, the Federal Reserve Board adopted a resolution (X-3881) formulating certain general principles for guidance of the board in acting upon

individual cases presented to it in applications for admission to membership of State banks operating branches outside the city or town or contiguous territory in which the parent bank was located and in applications of State member banks for permission to establish such branches.

This resolution reads as follows:

"Resolved, That the board continue hereafter as heretofore to require State banks applying for admission to the Federal reserve system to agree as a condition of membership that they will establish no branches except with the permission of the Federal Reserve Board; be it further

"Resolved, That, as general principle, State banks with branches or additional offices outside of the corporate limits of the city or town in which the parent banks are located or territory contiguous thereto ought not be admitted to the Federal reserve system except upon condition that they relinquish such branches or additional offices; be it further

"Resolved, That, as general principle, State banks which are members of the Federal reserve system, ought not be permitted to establish or maintain branches or additional offices outside the corporate limits of the city or town in which the parent bank is located or territory contiguous thereto; be it further

"Resolved, That in acting upon individual applications of State banks for admission to the Federal reserve system and in acting upon individual applications of State banks which are members of the Federal reserve system for permission to establish branches or additional offices, the board, on and after February 1, 1924, will be guided generally by the above principles; be it further

"Resolved, That the term 'territory' contiguous thereto' as used above shall mean the territory of a city or town whose corporate limits at some point coincide with the corporate limits of the city or town in which the parent bank is located; be it further

"Resolved, That this resolution is not intended to affect the status of any branches or additional offices established prior to February 1, 1924, either those of banks at the present time members of the Federal reserve system or those of banks subsequently applying for membership in said system. "

The Federal Advisory Council, however, was not inclined to favor this resolution. Under date of November 19, 1923, it stated with reference to the resolution that "it believes that the resolution, if carried into effect, will give a position of monopoly to those State banks that have established State-wide system of branches, while those State banks that have refrained from branch banking will be placed in a position of great disadvantage." (p. 11 of 1923 Recommendations of Federal Advisory Council.)

12. Recommendations re McFadden Bill. On February 11, 1924, the so-called McFadden bill was introduced in Congress giving to national bank the right to establish branches and imposing some restrictions upon the establishment of branches by State member banks of the Federal reserve system. As has been shown above, the Board had repeatedly recommended the enactment of legislation authorizing the establishment of domestic branches by national banks and a number of bills designed to accomplish this general purpose were introduced from time to time. These bills were in various forms and contained various limitations and restrictions, but none of them was ever passed by Congress.

On May 26, 1924, and April 23, 1926, in letters addressed to Congressman McFadden and Senator McLean, respectively, the Board expressed its general approval of the McFadden bill. The Federal Advisory Council in 1924, 1925 and 1926 also recommended enactment of the bill, and on February 25, 1927, it was finally enacted into law.

13. Administrative Policy during 1924. At its meeting on January 7, 1924, the Board gave consideration to the applications of three banks for permission to establish branches from time to time over a period of several months in accordance with contemplated programs of development, and adopted a resolution to the following effect: That no blanket authority to establish branches would be granted; that each application must be presented separately in regular form and manner, subject to approval of the State banking authorities and a recommendation of the Federal reserve bank of the district; that applications to establish branches in non-contiguous territory, filed before February 1 (under the board's resolution of November 7) might be considered by the Board after that date; and that the board reserved right to pass on each application on its merits. (See X-3937.)

14. Regulations of 1924. On March 27, 1924, the board issued a revised and further elaboration of its regulations formulated under that general provision of the Federal reserve act which authorizes it to prescribe conditions of membership for State banking institutions applying for admission to the system. In these regulations, as amended a month later, on April 7, the board took occasion to give more formal statement than it had previously given to principles which would govern it in approving the establishment of branches.

By Section IV of its Regulation H, as amended April 7, 1924, the Board stated that it would prescribe the following conditions of membership for every State bank thereafter admitted to the Federal Reserve System:

> "(4) Such bank or trust company shall not, except after applying for and receiving the permission of the Federal Reserve Board, establish any branch, agency, or additional office.
>
> "(5) Such bank or trust company, except after applying for and receiving the permission of the Federal Reserve Board, shall not consolidate with or absorb or purchase the assets of any other bank or branch bank for the purpose of operating such bank or branch bank as a branch of the applying bank; nor directly or indirectly, through affiliated corporations or otherwise, acquire an interest in another bank in excess of 20 per cent of the capital stock of such other bank; nor directly or indirectly promote the establishment of any new bank for the purpose of acquiring such an interest in it; nor make any arrangement to acquire such an interest."

These conditions were prescribed for all State banks and trust companies which were admitted to membership between April 7, 1924, and February 25, 1927, and were conditionally prescribed for all institutions admitted between February 26, 1927, and January 3, 1928. Prior to April 7, 1924, these conditions, or conditions substantially similar thereto, were prescribed for special reasons for a number of State banks and trust companies admitted to the System.

In Section VI of the same Regulation, the Board stated the administrative policy which it would pursue in acting upon applications for permission to establish branches under these conditions of membership as follows:

" SECTION VI. PRINCIPLES GOVERNING ESTABLISHMENT OF BRANCHES.

"In passing upon applications by State banks and trust companies for permission to establish branches, agencies or additional offices, under condition No. 4 of Section IV, or under any similar condition which may have been prescribed by the Federal Reserve Board and agreed to by any bank or trust company heretofore admitted to the Federal reserve system, the Federal Reserve Board will observe the following principles -

"(1) The Federal Reserve Board will as a general principle restrict the establishment of branches, agencies or additional offices by such banks or trust companies to the city of location of the parent bank and the territorial area within the State contiguous thereto, as said territory has been defined in the board's resolution of November 7, 1923, excepting in instances where the State banking authorities have certified and the board finds that public necessity and advantage render a departure from the principle necessary or desirable.

"(2) The Federal Reserve Board as a general principle will not consider an application by such bank or trust company for a permit to establish a branch, agency or additional office, unless the authorities of the State in which such bank is located regularly make simultaneous examinations of the head office and all branches, agencies or additional offices of such bank, nor unless the examinations made by the State authorities are, in the judgment of the Federal Reserve Board, of such character in every respect as to furnish the Federal Reserve Board with sufficient information as to the condition of such bank and the character of its management to enable the Federal Reserve Board fully to protect the interests of the public.

"(3) The Federal Reserve Board as a general principle will require each bank or trust company which establishes or maintains branches, agencies or additional offices to maintain for itself and such branches, agencies or additional offices an adequate ratio of capital to total liabilities and an adequate percentage of its total investments in the form of paper or securities eligible for discount or purchase by Federal reserve banks.

"(4) The Federal Reserve Board will not consider any application to establish a branch, agency or additional office until the State banking authorities have approved the establishment of such branch, agency or additional office, and the directors or executive committee and the Federal reserve agent of the Federal reserve bank of the district in which such bank or trust company is located have made a report upon the financial condition of the applying bank or trust company, the general character of

"its management, what effect the establishment of such branch, agency or additional office would have upon other banks or branches in the locality in which it is to be established, and whether in their opinion, it would be in the interest of the public in such locality, together with their recommendation as to whether or not the application should be granted.

"(5) When permission is granted for the establishment of such branch, agency or additional office same shall be established and opened for business within six months after such permission is granted. If such branch, agency or additional office is not established within such time the permit shall become void, unless the time is extended by the board for good cause.

"(6) The Federal Reserve Board reserves the right to cancel any permit which it may grant hereafter to establish any branch, agency or additional office whenever it shall appear, after hearing, that such branch, agency or additional office is being operated in a manner contrary to the interest of the public in the locality in which it is established."

15. After the McFadden Act. As a result of the amendments to the Federal Reserve Act contained in the McFadden Act, the Board issued a new set of regulations applicable to member banks which became effective on January 3, 1928. Before these new regulations became effective and after the passage of the McFadden Act, a number of State banks and trust companies were admitted to membership in the System. These banks and trust companies were admitted subject to certain conditions of membership which usually included the conditions in the 1924 Regulations regarding the establishment of branches, and such conditions were subject to any changes which the Board found to be necessary on account of the amendments to the Federal Reserve Act contained in the McFadden Act. After the Board's 1928 Regulations became effective (January 3, 1928) these banks were advised of the new conditions of membership to which they were subject.

As the McFadden Act prescribed the conditions under which branches might be established by State member banks, the Board did not include a condition in these new regulations in that connection. In Section V of Regulation H, however, it stated its interpretation of the provisions of the McFadden Act regarding branches of State member banks as follows:

"1. Any State member bank which, on February 15, 1927, had established and was actually operating a branch or branches in conformity with the State law is permitted to retain and operate the same while remaining a member of the Federal reserve system, regardless of the location of such branch or branches.

"2. Any nonmember State bank which, on February 25, 1927, had established and was actually operating a branch or branches in conformity with State law may, if otherwise eligible, become a member of the Federal Reserve system and retain and operate such branches, regardless of their location.

"3. In order to remain a member of the Federal reserve system, every State member bank must relinquish any branch or branches established after February 25, 1927, beyond the corporate limits of the city, town, or village in which the parent bank is situated.

"4. Any State member bank which establishes any branch or branches after February 25, 1927, beyond the corporate limits of the city, town, or village in which the parent bank is situated must either (a) relinquish such branch or branches or (b) forfeit all rights and privileges of membership and surrender its stock in the Federal reserve bank.

"5. No State bank which has established any branches subsequent to February 25, 1927, beyond the corporate limits of the city, town, or village in which the parent bank is situated may become a member of the Federal reserve system except upon relinquishment of every such branch.

"6. State member banks may establish branches within the corporate limits of the city, town, or village in which the parent bank is situated without obtaining permission of the Federal Reserve Board.

VIII. POLICY OF FEDERAL RESERVE SYSTEM ON CHAIN BANKING.

1. Conditions of Membership. Prior to the enactment of the Mc Fadden Act, the Board prescribed conditions of membership under which State banks could be admitted to the Federal reserve system, in order to effect some degree of control over chain banking. One of the conditions with which State banks entering the Federal reserve system were required to comply, reads as follows:

> "(5) Such bank or trust company, except after applying for and receiving the permission of the Federal Reserve Board, shall not consolidate with or absorb or purchase the assets of any other bank or branch bank for the purpose of operating such bank or branch bank as a branch of the applying bank; nor directly or indirectly, through affiliated corporations or otherwise, acquire an interest in another bank in excess of 20 per cent of the capital stock of such other bank; nor directly or indirectly promote the establishment of any new bank for the purpose of acquiring such an interest in it; nor make any arrangement to acquire such an interest."

This condition of membership was incorporated in the Board's Regulations of 1924 and was prescribed for every State Bank admitted to membership between April 7, 1924, and January 3, 1928. As a result of an amendment to Section 9 contained in the McFadden Act (February 25, 1927,) there is some doubt whether the Board now has authority to prescribe this broad condition and, therefore, it has been unable to exercise the same degree of control over chain banking. It has, however, prescribed the following condition of membership for every State bank or trust company admitted to membership since January 3, 1928.

"(3) Except after applying for and receiving the permission of the Federal Reserve Board, such bank or trust company shall not acquire an interest in any other bank or trust company, through the purchase of stock in such other bank or trust company."

2. Recommendations for Legislation. As early as January 8, 1926, the Board addressed a letter to Congressman McFadden (X-4500) recommending that there be incorporated in the pending McFadden bill certain provisions designed to secure adequate information regarding national and State member banks which are closely related in management, operation or interests to other banking institutions and, in particular, to afford some check upon the abuses frequently occurring from chain banking. These suggestions were not adopted by Congress. A copy of the Board's letter is attached hereto as Exhibit DD.

3. Correspondence with Hon. Louis T. McFadden re Administrative Control.- Under date of May 2, 1927, Congressman McFadden addressed a letter to the Comptroller of the Currency, suggesting that he adopt administrative measures calculated to control or prevent the growth of chain banking among national banks and sent a copy of his letter to the Federal Reserve Board with the suggestion that the Board should adopt similar administrative measures with reference to State member banks of the Federal reserve system. The Board, under date of May 18, 1928, (X-4854), replied that it was powerless under the law to take any such action. The Board called attention to the fact that it had suggested legislation along this line, but that Congress had not adopted its suggestions, and also called attention to the fact

that Congress in the McFadden Act had amended the law so as apparently to take away the Board's power to control this practice through conditions of membership. The Board's letter, a copy of which is attached as Exhibit E [illegible], concluded with the statement that the remedy lies with Congress.

4. Annual Reports for 1927 and 1928. In addition to the correspondence with Congressman McFadden above referred to, the Board has in its annual reports for the years 1927 and 1928 brought to the attention of Congress the fact that the expanding operations of financial companies specializing in the purchase of bank stock have presented special problems to Federal and State officials charged with the responsibilities of bank supervision. It was pointed out that such companies have been organized in increasing numbers and that since they are not directly engaged in the business of banking as defined in Federal and State statutes, they have not been subject to supervision or regular examination by banking authorities. (See pages 31-32 of 1927 Annual Report.) The difference between branch and chain banking was explained and it was pointed out that the more considerable developments in chain banking have been generally in States which prohibit the establishment of branch offices by banks. The chain banking situation in the United States was also summarized for the information of Congress. (See pages 30-31 of the 1928 Annual Report.)

5. Conferences of Federal Reserve Agents and Governors of Federal Reserve Banks in 1927 and 1928. The 1927 fall conferences of Federal reserve bank Governors and Federal reserve agents considered the development of investment companies for the purchase of bank stock, and the Federal reserve agents were of the opinion that a dangerous situation is developing which should be brought to the attention of the Federal Reserve Board and the banking authorities with the view that some legislation should be obtained placing such companies under the jurisdiction of the banking departments. The Federal reserve bank Governors felt that the possible dangers incident to a widespread development of such companies make it a matter for the consideration of the Federal reserve system. The Governors discussed this question further at their April, 1928, Conference and while nothing definite was recommended, it was stated that the question is a matter that deserves thoughtful consideration.

6. Committee to Study Chain Banking. The question of branch, chain and group banking development in the United States with particular reference to the effects of bank stock ownership by investment trusts and holding corporations, was considered by the Federal Advisory Council in 1929, and, on November 19, 1929, it recommended that, "The Federal Reserve Board appoint a committee to study the merits of the branch banking system as practiced in this and other countries, (conditions in Canada being apparently more comparable with our own), the group or chain banking system as developed

in this country and elsewhere, and the unit banking system of this and other countries; and further, the effect of ownership of bank stocks by investment trusts and holding corporations, in order that the Federal Reserve Board may be in possession of accurate and authoritative information on this important subject."

The December, 1929, Conference of Federal reserve bank Governors and Federal reserve agents voted to concur in and endorse the recommendation of the Federal Advisory Council that a committee be appointed to study the subject of branch, chain and group banking.

Accordingly, on February 27, 1930, the Board appointed a committee for this purpose, naming as members thereof, Messrs. Goldenweiser and Smead of the Board's staff, and Messrs. Rounds, Fleming and Clerk, Deputy Governors of the Federal reserve banks of New York, Cleveland and San Francisco, respectively.

IX. BANK FAILURES

In connection with the subject of branch, group and chain banking, some consideration must be given to the unfortunately large number of bank suspensions and failures in the United States, especially in view of the fact that the advocates of branch banking contend that the solution of the problem of bank failures lies in the substitution of branches of strong, well managed banks for small, unit banks in the rural communities. Fortunately, the Federal Reserve Board has reliable statistics with regard to bank failures and has made some study of the causes of these failures.

1. Federal Reserve Board's Annual Report for the Year 1926. - On pages 10 to 13, inclusive, of the text of this report, the Board called attention to the fact that, during the year 1926, 956 banks with deposits of nearly $275,000,000 had suspended, as compared with 612 suspensions involving deposits of about $175,000,000 in 1925, and 777 suspensions involving deposits of about $215,000,000 in 1924. Certain statistics were given with reference to the number and percentage of member and nonmember bank failures and the causes of these failures were discussed briefly. One of the fundamental causes appeared to be that in many communities, and especially in small communities, there were more banks than could profitably engage in the local banking business and many of these banks had insufficient capital. A statistical table brought out the fact that nearly two-thirds of the banks which failed during 1926 had a capital of $25,000 or less and were situated in towns of less than 1,000 inhabitants.

The situation described in the following paragraph, appearing on page 12, undoubtedly accounts for the present tendency to build up chains of banks with strong management or supervision in view of the legal re-

strictions on branch banking:

> "Some small banks in small communities have found it difficult to make adequate earnings by conducting their business along strictly conservative lines, and have not been able to afford the expense of engaging skillful and experienced managers. The volume of business done by small banks in rural communities, furthermore, has diminished in recent years, as the result of improvement in roads and the widespread use of automobiles, which has led many bank customers to prefer to drive to the county seat or other near-by center and to use the facilities of the larger banks in these towns."

The general economic conditions leading up to the failures during the year 1926 were discussed concisely on page 13; and, on pages 190 to 196, inclusive, there were published a series of tables containing valuable statistics on bank suspensions during the years 1921 to 1926, inclusive.

A copy of this report is attached hereto as Exhibit FF.

2. Report on Bank Suspensions, 1921-1927. - Under date of April 11, 1928, Mr. E. L. Smead, Chief of the Division of Bank Opeations, submitted to the Federal Reserve Board a comprehensive report on bank suspensions in the year 1927 and during the years 1921 to 1927, inclusive. A copy of this report is attached hereto as Exhibit GG.

This report showed that, during the year 1927, there was a total of 662 bank suspensions involving total deposits of $194,000,000, and detailed figures were given for the various classes of banks.

The report also showed that, during the seven-year period, 1921-1927, 4,513 banks with an aggregate capital of $169,000,000 and deposits of $1,351,000,000 had suspended operations. During the same period 559 banks with a capital of $21,000,000 and deposits of $200,000,000 had reopened, leaving net failures of 3,954 banks with an aggregate capital of $148,000,000 and deposits of $1,151,000,000. Detailed statistics are given for the various

classes of banks. These statistics showed that, of the total of 4,513 banks that suspended operations during this seven-year period, 3,709 were located in places having a population of less than 2,500 and that more than 80 per cent of all suspended banks were located in places having less than 1,000 inhabitants. It also showed that nearly 40 per cent of the suspended banks had a capital of less than $25,000 and that over 63 per cent of them had a capital of $25,000 or less.

On page 5 of this report the principal causes of bank failures during this seven-year period were discussed as follows:

> "The principal cause of bank suspensions during the 7-year period was reported as the accumulation of a large proportion of worthless, slow or past-due paper, but in quite a number of cases poor management and heavy withdrawals were assigned as largely responsible for the suspension. The causes of suspension listed in the order of importance, i.e., based on the number of times shown as having been a primary or contributory cause, are as follows:
>
> 1. Doubtful, slow or past-due paper
> 2. Heavy withdrawals
> 3. Poor management
> 4. Depreciation of securities
> 5. Loans to officers and directors
> 6. Defalcation
> 7. Loans to enterprises in which officers and directors were interested
> 8. Failure of banking correspondent
> 9. Failure of other large debtors"

While "doubtful, slow or past due paper" was given as the most important cause of bank failures and "loans to officers and directors" and "loans to enterprises in which officers and directors were interested" were listed as separate causes, it might well be argued that these causes could all be grouped under the head of "poor management," making that the principal cause of bank failures.

Some statistics are given with reference to the number of failures of banks operating branches and, on page 6, there is an interesting dis-

cussion of the failure of certain chain systems, notably the Witham System, with 179 banks in Georgia, and Florida and 10 in New Jersey and New York.

3. Study of Bank Suspensions, 1921-1929. - A similar report covering the nine-year period, 1921-1929, is now in course of preparation. The information pertaining to the causes of failures has not yet been completely tabulated, but it appears that the relative importance of the causes of suspensions will not be very different from that shown in the report for the years 1921-1927.

4. Federal Reserve Board Annual Report for the Year 1929. - While it has not yet been completed, a preliminary draft of that portion of the Board's Annual Report for the year 1929 which discusses bank failures is attached hereto as Exhibit HH.

From this it appears that 642 banks with aggregate deposits of $235,000,000 suspended operations during the year 1929. This was larger than any year except 1926, when both the number and deposits of suspended banks were the largest on record. Although member banks constitute only about one-third of the total number of banks in the United States, only about one-eighth of the total number of banks which suspended during the year were member banks; and although the deposits of member banks are approximately three-fifths of the aggregate deposits of all banks in the country, the deposits of the member banks that suspended during the year 1929 were only about one-fourth of the aggregate deposits of all suspended banks.

During the nine-year period, 1921-1929, a total of 5,642 banks were reported as having suspended operations either temporarily or permanently on account of financial difficulties, and of this number 657 have since

been reopened, leaving 4,985 as the net number of bank failures. The deposits of the banks which suspended operations during this nine-year period aggregate about $1,720,000,000 and the deposits of the reopened banks about $240,000,000, leaving the net deposits of failed banks aggregating $1,480,000,000.

A number of interesting tables are included in this draft of the report and one of them shows that over 62 per cent of all the banks which failed during this nine-year period had a capital of $25,000 or less and that over 60 per cent of the total number were located in towns with a population of 1,000 or less; 91.6 per cent of all these banks were located in towns with a population of 10,000 or less, and only 8.4 per cent were located in towns with a population exceeding 10,000 inhabitants. This clearly lends some support to the opinion that branches of strong banks are needed in small rural communities.

5. Studies of Bank Failures by Professor Sprague and Doctor Burgess. - In April, 1925, the Board employed Professor O.M.W. Sprague, Professor of Banking and Finance at Harvard University, as a research assistant in the Board's Division of Research and Statistics for the purpose of studying the question of needed banking legislation. During the course of Professor Sprague's employment with the Board he made a study of the causes of bank failures. He published an article on this subject in the Journal of the American Bankers Association for April, 1927, at pp. 703 and 704; and the report of the committee on Economic Changes of the President's Conference on unemployment, published in Volume 2 of "Recent Economic Changes", pp. 393-396, contains a discussion of bank failures, which was prepared by Professor Sprague and Dr. Randolph Burgess, Assistant Federal Reserve Agent of the Federal Reserve Bank of New York. Quotations

of certain portions of these articles discussing the causes of bank failures will be of interest.

The following is quoted from Professor Sprague's article on "The Cause of Bank Failures" published in the Journal of the American Bankers' Association for April, 1927, pp. 703 and 704:

> "Scattered banks in other parts of the country, and particularly banks in the larger cities, also enjoy the advantage of local diversity in loans and have funds available for other employment. But thousands of banks in the West and South are in a strikingly different position. They are established in localities in which there is but slight diversity in occupation, localities also in which the local demand for accommodation commonly tends to absorb all of the resources of the local banks and at higher rates than can be secured on outside investments.
>
> "The more conservative banks, as a matter of wise policy do not employ all resources locally, and these banks may properly resort to reserve banks or to city correspondents for accommodation to take care of seasonal or other temporary requirements. At the opposite extreme are the numerous banks that make local loans to the full extent of their own local resources, and in addition acquire outside deposits, both public and individual, by the offer of a high interest rate, and still further enlarge the supply of bank credit in the locality by securing accommodation from reserve banks and city correspondents.
>
> "Banks which follow this course may acquire prestige in their communities and earn large profits for shareholders in years of abounding prosperity; but clearly they are in no position to withstand successfully a long period of adverse conditions. Failure is probable unless quite extraordinary care and discrimination have been exercised in the determination of the amount of credit extended to each individual borrower. It is a reasonable presumption, however, that the lack of caution manifested in the general policy of a bank will also be exhibited in the quality of the particular loans that it makes.
>
> "When the problem of bank failures is approached with full recognition of the powerful influence unfavorable to safety in banking exerted by the absence of industrial diversity and by the intense local demand for credit, it becomes evident that policies governing the establishment of banks have not been sufficiently directed toward the maintenance and improvement of standards in the management of banks.

* * *

"While there is no exact relationship between the size and number of banks in a locality and the strength of the banking position, it is certain that these are factors which have a decided bearing upon competence in management. A community with aggregate banking resources of, say, $5,000,000 will be better served in every way, including safety, by two or three banks than by six or more. The excessive number of banks induces cut-throat competition for accounts, and tends to undermine conservative standards in the granting of credit. A decided increase in minimum capital requirements would do much to restrict the number of banks within more desirable limits, but whatever may be accomplished in this direction should be coupled with the specific grant of power to the appropriate authority, as in the state of New York, to decline to approve new charters where it is evident that a community is already well served by existing banking institutions, and that additional competition will serve no useful purpose."

* * *

"No doubt bank examinations might be imporved, and in some states very materially improved, but incomplete information about the condition of the banks is not the most serious defect in existing supervisory arrangements. The opinion may be ventured that, aside from a few instances of exceptionally skillful dishonesty, and the special situation created by chains of banks, successive examinations preceding failure have regularly disclosed an increasingly unsatisfactory condition. But in making effective use of this information, almost insurmountable obstacles are encountered. Governmental authorities may criticize unwise policies, but they can only take action when statutes are violated, or upon clear evidence of impairment of capital or insolvency. Moreover, even within the field of violations of statutes, effective administration is hampered by the common failure of legislation to provide penalties other than the cessation of business or a receivership."

The following is quoted from Volume II of a book on "Recent Economic Changes" containing the report of the President's Conference on Unemployment, pages 693-696:

"Dishonesty and gross mismanagement account for a small number of these failures. The suspension of a larger number was precipitated by adverse conditions of a purely local character, such as a succession of crop failures or the sudden collapse of real estate booms in particular towns and cities. But the great majority of banks failed because they were unable to withstand the stress exerted by the persistence of unprofitable prices for the products of agriculture and

animal husbandry - stress that was particularly severe because it was experienced after years of a bounding prosperity and extreme appreciation in the value of farm property, and a large increase in the number of farms mortgaged and the amount of mortgage indebtedness.

"These adverse conditions alone, it can hardly be too strongly emphasized, do not furnish a complete explanation of the numerous bank failures of the last seven years. By no means all, or even a majority, of the banks in the localities most seriously affected have been obliged to suspend operations. Financially weak and unskillfully managed banks have been weeded out; strong, well-managed banks have no doubt experienced heavy losses, but they survive."

* * *

"There are hundreds of small banks throughout the country which are ably managed and abundantly strong, and which overcome the handicap of an absence of industrial diversity in the communities which they serve by the exercise of exceptional judgment and caution. On the other hand, while there is no exact relationship between the number and size of the entire group of banks in a locality and the strength of its banking position, it is certain that no community can hope to enjoy the benefits of safety in banking if the business is organized in units so numerous as to exceed the available supply of competent officers and responsible directors, and with insufficient earning power to be able to absorb inevitable losses."

* * *

"No community can possibly provide adequate resources, competent officers, and experienced directors for one bank to every 750 of its inhabitants as in North Dakota, or to 1,400 as in Iowa. And the situation in these states was not exceptional; on the contrary, an excessive number of banks have been established throughout those sections of the country that are mainly devoted to agriculture. Banking troubles were inevitable with the advent of adverse conditions, and for the severity of these conditions the unwise use of credit administered by an inordinate multiplicity of banks was in no small degree responsible."

OPEN MARKET POLICY COMMITTEE

Analysis of Replies of the Federal Reserve Banks to Board's Letter dated January 23, 1930.

(No replies received from the Richmond, Kansas City or Dallas Banks.)

1. Board's letter: - Changes name to Open Market Policy Conference.

   New York prefers present name.

   Cleveland objects, and prefers old name.

   Other banks do not mention this.

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2. Board recommendation: - Each Federal reserve bank to be represented on the Open Market Policy Conference.

   Boston:
   Suggests representation by the Governor, or by an officer designated by the Board of Directors.

   New York:
   To be composed of representatives of the twelve Federal reserve banks, provided an effective operating committee is appointed with full authority to execute approved plans or policies.
   Committee should be composed of Governors.
   We do not object if other Boards of Directors should appoint other representatives.

   Philadelphia:
   Not material whether Governor or other representative be designated by Directors.

   Chicago:
   Each Federal reserve bank should be represented.

   San Francisco:
   The Board of Directors has designated the Governor as its representative.

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3. Board letter: - The Conferences should meet with the Federal Reserve Board at such times as may be arranged by or with the Board.

Boston:

Suggests amendment so that Executive Committee can hold meetings on own initiative as well as on call of Board.

New York:

We assume that meetings of the Committee, or the Executive Committee will be called by the Chairman of the Committee after consultation with the Governor of the Federal Reserve Board, whenever desired by the Board or by the Committee.

Philadelphia:

Asserts the right of the Committee to meet whenever in the judgment of the Executive Committee a meeting is advisable.

Objects to the provision of (3) that the representatives of the banks shall meet with the Board.

This fails to observe the distinction running through the Act that the banks are the initiators of all transactions, subject to the review and coordinating authority of the Federal Reserve Board.

The Board cannot properly review policies in the framing of which it participates, nor should it take any part in the routine execution of policies which it has approved.

Objects to provision that the Conference shall meet only at such times as may be arranged by or with the Board. This would give the Board an absolute veto power over meeting of the Committee.

The Board has a veto power over the recommendations of the Committee, but should not have a veto power over its meetings.

The Executive Committee should have power to call a meeting at any time.

Cleveland:

We believe that meetings of the Committee should be called either by the Board or by the Executive Committee.

Two of the regular meetings of the full Committee should be held at the time of the semi-annual Governors' Conference.

Chicago:

The Chairman of the operating body should be authorized to call a meeting of the body at request of two or more members. The Federal Reserve Board could always call the body together.

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4. Board letter:- The function of the Open Market Policy Conference should be to consider, develop, and recommend plans with regard to the purchase or sale of securities in the open market.

Chicago approves this.

The other banks do not mention it.

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5. Board letter: - The time, character, and volume of such purchases and sales to be governed with the view of accommodating commerce and business, and with regard to their bearing upon the credit situation.

The banks do not comment on this.

---

6. Board letter: - The conclusions and (or) recommendations of the Open Market Policy Conference to be submitted to each of the Federal reserve banks and to the Federal Reserve Board for consideration, and (or) action.

Boston:

Suggests amendment so that conclusions or recommendations of the Open Market Policy Conference shall be subject only to the approval of the Board.

New York:

The policy as to purchase or sale of Government securities should be made subject to review at any time that may seem wise either to the Board or to the participating banks.

We recognize that the banks and the Board have a joint interest in the matter of open market policies with respect to purchase and sale of Government securities.

Philadelphia:

Feels that the function of the Federal Reserve Board is as a supervising and coordinating authority, rather than an originating or operating body.

The Federal Reserve Board letter transforms the Committee into a Conference, the conferees consisting of a representative of each Bank and the Federal Reserve Board.

The Board's draft that the recommendations of the Conference should be submitted to each bank for consideration and, - or - action, is a very cumbersome requirement which might prevent prompt action and prove disastrous.

The Board should not be put in the position of having to consider and decide policies which it has assisted in framing.

These policies would not represent, as they now do, the uninfluenced and independent views of the banks subsequently allowed or approved by the Board, but would be the outcome of a wholly extra-legal conference, in which the reviewing authority had participated ab initio.

Cleveland:

Objects to (6) as cumbersome, retarding action, particularly in emergencies.

Prefers recommendation of Governors that the full Committee shall consider and act upon the recommendations of the Executive Committee, and shall then meet with the Board to discuss these recommendations before action by the Board.

Chicago:

Objects to (6) as unworkable.

Each bank should delegate authority to its representative on the Conference to act for his bank at all meetings of the Conference.

San Francisco:

Suggests that the conclusions and (or) recommendations of the Conference shall be submitted to the Federal Reserve Board for consideration, and if approved by it, shall thereupon become immediately operative, to be participated in by each Federal reserve bank as it may deem expedient.

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7. Board letter: - A Committee to be known as the Open Market Executive Committee to be constituted for the purpose of executing such purchases and sales of securities as have been approved by the Federal reserve banks and the Federal Reserve Board.

Boston:

Suggests amendment to give Executive Committee power to carry out policies agreed on by the Conference through open market operations, subject to the review and coordinating authority of the Federal Reserve Board.

New York:

The Committee (presumably also the Executive Committee) should have authority to execute approved plans and policies in behalf of such banks as care to participate.

The meetings of the Committee, or the Executive Committee, should be called by the Chairman of the Committee after consultation with the Governor of the Federal Reserve Board, whenever desired by the Board or by the Committee.

Philadelphia:

Objects to provision that the Open Market Committee shall merely execute purchases and sales which have been approved by the banks and the Board.

This would put the Committee in a position little better than that of a broker or dealer.

The Executive Committee should continue to keep close watch upon financial developments, and anticipate as far as possible

situations likely to arise, and be prepared to formulate recommendations and suggestions for the consideration of the full Committee.

Cleveland:

The Executive Committee should have power to carry into effect the policies recommended by the full Committee and approved by the Board, as recommended by the Governors. Membership of the Executive Committee should be rotating, so that the Governor of each bank within over-night traveling distance from Washington would serve at appropriate times.

The Governor of the New York Bank should be a permanent member and act as Chairman of the full Committee, and of the Executive Committee, as the Committee's operations must obviously be carried on in New York.

Chicago:

The Open Market Conference should have an Executive Committee clothed with authority to function.

St. Louis:

There should be some method of rotation on the proposed Executive Committee, excepting only the Governor of the New York Bank.

Suggestions by the Banks as to Participation:

Boston:

Will participate in all open market operations, without, however, surrendering any authority, rights, or powers of independent action conferred by the Federal Reserve Act.

New York:

Any Federal reserve bank may decline to participate in any purchases or sales at any particular time.

Will continue our participation as long as the composition and functions of the Committee will insure and facilitate the formulation and expeditious execution of sound System open market policies.

Our directors are agreeable to continue participation in System open market procedure worked out and agreed upon by the Board and the Committee, provided it is not inconsistent with these general views.

Cleveland:

will cooperate with the Committee, reserving our legal right to engage in open market operations under Section 14.

We have declined to participate only when, in our judgment, the legitimate demands of our member banks made it necessary so to do.

We will continue to support the open market policies approved by the Board, reserving the right to purchase at our option, Government

securities and bills in limited or reasonable amounts when offered to us by our own member banks, and will exercise our right to engage in open market operations for our own account only in unforeseen emergencies.

San Francisco:

Our Board expressly reserves to the Federal Reserve Bank of San Francisco, the right to determine whether the bank will participate in transactions recommended by the Conference and, if it does participate, the extent of such participation.

No present or future participation by this bank in the transactions of said Conference shall be interpreted as a commitment to further participation.

Reservations.

Boston:

Reserves all authority, rights, or powers of independent action conferred by the Federal Reserve Act.

New York:

Without waiving the powers conferred upon us by law to make purchases and sales of Government securities, we would naturally assume, certainly as long as we continue a part of any approved open market committee procedure acting for the System, that we would not exercise our power to buy and sell Government securities in conflict with approved System policies, except as that might be necessary in an emergency in our own market.

Cleveland:

Will cooperate with the Committee, reserving our legal right to engage in open market operations under Section 14.

We will continue to support the open market policies approved by the Board, reserving the right to purchase at our option, Government securities and bills in limited or reasonable amounts when offered to us by our own member banks.

Will exercise our right to engage in open market operations for our own account only in unforeseen emergencies.

Atlanta:

It is understood that we may continue ordinary every-day practice of buying acceptances within our own District, and of buying from and selling to our member banks, Government and other securities authorized by Section 14.

The above practice will not hamper or interfere with the operations of the Open Market Conference.

Any action necessary in a large amount, in case of emergency, will be submitted to Board for approval.

San Francisco:

Approves Board letter without waiving any right, or delegating any power conferred upon this bank under the Federal Reserve Act.

This Board, in approving the establishment of said Conference, does not surrender, but expressly reserves to the Federal Reserve Bank of San Francisco, the right to determine whether this bank will participate in transactions recommended by the Conference and, if it does participate, the extent of such participation.

No present or future participation by this bank in transactions of said Conference shall be interpreted as a commitment to further participation.

Joint Interest.

New York:

We recognize that the banks and the Board have a joint interest in the matter of open market policies with respect to purchase and sale of Government securities.

Right of Withdrawal from the Conference.

New York:

Any Federal reserve bank may withdraw from the Committee procedure altogether, if it deems it advisable.

Exigencies.

New York:

We would not exercise our power to buy and sell Government securities in conflict with approved System policies, except as that might be necessary in an emergency in our own market.

Cleveland:

While we reserve the right to purchase at our option Government securities and bills in limited or reasonable amounts when offered to us by our own member banks, we will exercise our right to engage in open market operations for our own account only in unforeseen emergencies.

Atlanta:

Any action necessary in the way of buying acceptances within our own District, and buying from and selling to our member banks Government and other securities authorized by Section 14, in a large amount, in case of emergency, would be submitted to the Board for approval.

Chicago:

The Federal reserve bank retains the powers conferred upon it by Section 14 to the extent that it may protect any sudden or extreme emergency.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-3526

March 10, 1930.

SUBJECT: Report of Special and Destruction Committees of February 18, 1930.

Dear Sir:

Referring to the Board's telegrams, Trans. 1143 and Trans. 1160, dated January 18, 1930, and February 10, 1930, respectively, there is enclosed herewith for your information and files a copy of the signed report of the Special and Destruction Committees, charged with the cancelation and destruction of the surplus stocks of old series Federal reserve notes, held for the account of the several Federal reserve agents in the vaults of the Bureau of Engraving and Printing.

Yours very truly,

E. M. McClelland,
Assistant Secretary.

TO ALL FEDERAL RESERVE AGENTS.

Enclosure.

COPY X-6526-a

February 18, 1930.

Mr. Walter E. Hope,
Assistant Secretary of the Treasury,
Washington, D. C.

Sir:

Your letter of January 20, 1930, designating a special committee, in association with the destruction committee, with definite instructions as to procedure for the verification, cancellation and subsequent destruction of a portion of the stock of unissued old series Federal reserve notes, held in joint custody at the Bureau of Engraving and Printing; the communication of the Undersecretary of the Treasury, under date of February 5, in which the procedure so established was amended, in part; and, finally, your supplementary letter of February 12, wherein you approved and authorized like action to be taken for the cancellation and destruction of the balance of the identical stock of unissued Federal reserve notes, have been fully complied with, as hereinunder stated.

Acting under the authority granted the special committee and the destruction committee, acting jointly, and adhering closely to the routine of procedure as prescribed in the various letters of instructions, the joint committee began work on February 3 and completed its labors on February 12 and, therefore, respectfully reports and certifies that the following denominations and amounts, by banks, were found to be correct and that all the notes thereof were wholly destroyed by burning in the incinerators.

(IN FACE AMOUNTS)

	5's	10's	20's	50's	100's
Boston	$ 8,040,000	$---------	$ 5,280,000	$ 1,000,000	$----------
New York	---------	---------	22,880,000	---------	----------
Philadelphia	---------	---------	----------	---------	2,400,000
Cleveland	---------	---------	----------	6,200,000	----------
Richmond	17,560,000	---------	7,840,000	200,000	8,800,000
Atlanta	2,620,000	---------	8,560,000	9,400,000	6,400,000
Chicago	---------	---------	---------	---------	---------
St. Louis	---------	---------	---------	600,000	---------
Minneapolis	4,180,000	---------	5,440,000	200,000	400,000
Kansas City	2,340,000	---------	---------	2,600,000	---------
Dallas	4,400,000	4,120,000	3,840,000	1,200,000	1,600,000
San Francisco	1,600,000	---------	---------	---------	---------
Total	$40,740,000	$4,120,000	$53,840,000	$21,400,000	$19,600,000

(In Face Amounts)

Bank	500's	1000's	5000's
Boston.....	$ 2,000,000	$18,800,000	$ 4,000,000
New York.....	---------	----------	8,000,000
Philadelphia.....	8,600,000	2,800,000	4,000,000
Cleveland.....	---------	----------	2,000,000
Richmond.....	9,600,000	9,200,000	2,000,000
Atlanta.....	3,800,000	----------	2,000,000
Chicago.....	3,600,000	4,000,000	4,000,000
St. Louis.....	3,800,000	4,000,000	2,000,000
Minneapolis.....	1,600,000	4,800,000	----------
Kansas City.....	4,400,000	10,800,000	---------
Dallas.....	800,000	1,600,000	2,000,000
San Francisco.....	1,800,000	400,000	2,000,000
Total.....	$40,000,000	$56,400,000	$32,000,000

It is the pleasure of members of the joint committee to acknowledge the courteous treatment extended by officials with whom we came in contact in the Bureau of Engraving and Printing. Every request for assistance was promptly complied with. The stock of unissued notes was found to be in good order and it is our desire to report that very systematic methods are employed by the Federal Reserve vault custodians to facilitate the work at which they are engaged.

Respectfully,

SPECIAL COMMITTEE:

L. G. Copeland
Chairman, Office of Comptroller of Currency.

Myles C. McCahill
Secret Service Division

A. G. Davis
Division of Paper Custody.

Eugene G. Shreve
Division of Public Debt Accounts and Audit.

Geo. E. Good.
Federal Reserve Board.

John E. Walters.
Bureau of Engraving and Printing.

DESTRUCTION COMMITTEE:

J. F. Moran
Chairman, Destruction Committee.

J. M. Ross
Member, Destruction Committee.

NOTE: This copy of report, when fully signed, for Federal Reserve Board.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6527

March 8, 1930.

SUBJECT: Code word to cover telegraphic transactions in new issue of Treasury Certificates of Indebtedness, Series TD 1930.

Dear Sir:

In connection with telegraphic transactions in Government securities between Federal reserve banks, the code word "NOWHICK" has been designated to cover the new issue of Treasury Certificates of Indebtedness, Series TD 1930, dated March 15, 1930, due December 15, 1930.

This word should be inserted in the Federal Reserve Telegraph Code book, following the supplemental code word "NOWHEXED", on page 172.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

COPY X-6529

March 7, 1930.

Mr. H. G. Leedy, Counsel,
Federal Reserve Bank,
Kansas City, Missouri.

Dear Mr. Leedy:

As I have just wired you, I did not receive your letter of March 5 transmitting the adverse decision of the Supreme Court of Colorado in the case of First National Bank of Denver v. Federal Reserve Bank until today. In view of the fact that your petition for rehearing must be filed on the 13th instant, less than a week from today, I doubt that Mr. Baker would have time to be of much assistance in preparing it, even if his services were needed.

Upon a hasty examination of the opinion, I am inclined to think that the case involves no question of interest to the Federal reserve system as a whole; first, because it arises under the old regulation J and, second, because it apparently turns largely upon a question of actual negligence. I think it could easily be distinguished from any case arising under the new regulations, and I do not believe that the opinion contains anything which would be very harmful on the general question of the rights and liabilities of Federal reserve banks with respect to check collections. However, in view of the fact that they may disagree with this view, I am taking the liberty of transmitting copies of the opinion and of our correspondence to counsel for all of the other Federal reserve banks with a request for an expression of their views on the question whether this case is of importance to the Federal reserve system as a whole.

Counsel for the other Federal reserve banks apparently have not been furnished with copies of your briefs in this case, and I suggest that it would be advisable to send them copies.

As I wired you today, I seriously doubt the advisability of attempting to obtain a review of this decision by the Supreme Court of the United States. It seems to me that a favorable decision by the Supreme Court would not be of any great value, in view of the fact that the case does not arise under the new regulations; whereas an unfavorable decision might provoke further litigation and might result in an opinion announcing broad principles which could be

effectively quoted against the Federal reserve banks in other check collection cases, even when such cases arise under the new regulations. From a system standpoint, therefore, I am inclined to think we would have everything to lose and very little, if anything, to gain by obtaining a review of this decision by the Supreme Court of the United States. From a system standpoint, I think it would be better policy to await an opportunity to get the Supreme Court to pass upon a case arising under the new regulations, in the hope that a decision rendered in such a case would render the doctrine of the old Malloy case entirely obsolete.

This letter is written after a very hasty consideration, however, and if you disagree with the views herein expressed, I should like very much to have an expression of your own views.

With best personal regards, I am

Cordially yours,

Walter Wyatt,
General Counsel.

WW:vdb

C O P Y

X-6529-a

FEDERAL RESERVE BANK
of
KANSAS CITY

H. G. Leedy, Counsel
1503 Federal Reserve Bank Bldg.,
Kansas City, Missouri.

March 5, 1930.

Honorable Walter Wyatt, Counsel,
Federal Reserve Board,
Washington, D. C.

My dear Mr. Wyatt:

The Supreme Court of Colorado has just handed down its opinion in the case of First National Bank of Denver vs. Federal Reserve Bank. As you perhaps will recall, this suit was brought by the First National Bank as assignee, for one of its customers, to recover the amount of various checks which the Denver Branch of our bank sent to the Citizens State Bank of Ordway, Colorado, in September, 1921, and for which remittances by draft were received which could not be collected on account of the closing of the drawee bank.

As I reported at one of the conferences of counsel, the trial court sustained a demurrer to the defenses set up in our answer based on Regulation J and our own General Letter, as well as our defense of custom. Upon the trial of the case, the District Judge adhered to his position with reference to these defenses, and we were permitted to introduce no evidence under them.

There has never been any serious question in my mind that the case would be reversed by the Supreme Court of Colorado, and Messrs. Lewis and Grant, attorneys at Denver, who have been associated with me in its handling, have felt even more confident than I of the ultimate result, if that could have been possible. The decision now handed down, which affirms the judgment of the trial court, comes accordingly as a distinct shock and surprise.

I have not attempted to carefully analyze the opinion, as it has just reached me, but from such examination as I have made of it, it seems that the Court has devoted itself largely to matters which are not at all decisive of the issues, and has failed to recognize the principles and authorities on which we relied. It seems doubtful that the decision, if it stands, will be of any embarrassment either to our bank or other Federal Reserve Banks, inasmuch as at the time the checks were handled there were no express provisions in Regulation J or our General Letter authorizing the acceptance of exchange drafts as remittances. The Court, however, intimates that our General Letter,

even if it had contained specific reference to the acceptance of exchange drafts, is invalid. It is primarily by reason of this reference, and the fact that the Court has apparently refused to give effect to Regulation J, insofar as it permits items to be sent direct, that I am hastening to refer the matter to you.

In order that you may be fully advised in the premises, I am sending you the following:

1. Copy of the opinion of the Supreme Court of Colorado, to which is attached copy of letter of Messrs. Lewis and Grant, transmitting the same to me.
2. Abstract of the Record and Assignments of Error.
3. Brief of Plaintiff in Error.
4. Brief of Defendant in Error.
5. Reply of Brief of Plaintiff in Error.

As pointed out in the letter of Messrs. Lewis and Grant the petition for re-hearing must be filed within ten days from the day the opinion was handed down, which was March 3.

If upon examination of the enclosed, you feel that the decision may have an injurious effect on the reserve banks in their transit operations, and that it would be advisable for Mr. Baker to participate in the preparation of the petition for re-hearing, or to otherwise take part in the further handling of the case, it will be agreeable for you to refer the matter to him; or if you feel that any other course should be followed, I should like for you to suggest the same.

In the meantime, I shall of course collaborate with Messrs. Lewis and Grant in the preparation of a tentative petition for re-hearing, with the view of eventually attempting to obtain a review by the Supreme Court of the United States, should the re-hearing not be granted.

When you have arrived at a decision about the matter, I should be glad for you to advise me thereof by wire.

Yours very truly,

(S) H. G. Leedy.

HGL:FH

C O P Y

X-6529-b

LEWIS AND GRANT
Attorneys and Counsellors at Law
First National Bank Building
Denver, Colorado

Mason A. Lewis
James B. Grant
Robert L. Stearns
F. W. Sanborn, Jr.

March 4, 1930.

H. G. Leedy, Esq.,
Federal Reserve Bank Building,
Kansas City, Missouri.

Dear Mr. Leedy:-

Re: Federal Reserve Bank vs. First National Bank.

Herewith we hand you copy of the "bad news" which we received from the Supreme Court in the above cause late yesterday afternoon. I will not attempt to give you my ideas of the opinion in detail, as I am hurrying to get this copy of the opinion off by special delivery at the earliest possible moment. We only have fifteen days for petition for rehearing, and the same must be printed and filed with the Supreme Court within that time.

In general, I feel that the Court has made some rather bad misstatements of fact and that its conclusions of law are terrible.

If you agree with me that a petition for rehearing should be filed, I would appreciate it if you will formulate your views in support of such petition and let me have them at the earliest possible time.

It is, of course, probable that petition for rehearing will be denied, and in that event I would appreciate knowing your views as to the desirability of attempting to take the case to the Supreme Court of the United States.

With best personal regards.

Very truly yours,

/s/ Lewis and Grant

C O P Y

X-6529-c

No. 12143.

FEDERAL RESERVE BANK OF KANSAS CITY, MISSOURI, a Corporation,

Plaintiff in Error,

vs.

THE FIRST NATIONAL BANK OF DENVER, a Corporation

Defendant in Error.

EN BANC.

Error to the District Court of the City and County of Denver.

Hon. Henry Bray, Judge.

JUDGMENT AFFIRMED.

-0-0-0-0-0-0-0-0-0-0-0-0-0-0-0-0-0-0-0-0-0-0-0-0-0-

MESSRS. LEWIS AND GRANT,
MR. H. G. LEEDY.

Attorneys for Plaintiff in Error.

MESSRS. HUGHES AND DORSEY,
MESSRS. BENEDICT AND PHELPS.

Attorneys for Defendant in Error.

Mr. Justice Burke Delivered the opinion of the Court.

For convenience plaintiff in error is hereinafter referred to as "defendant"; defendant in error as "plaintiff"; The Citizens State Bank of Ordway, Colorado, as "the Ordway State Bank"; the Receiver of said Citizens State Bank of Ordway as "the receiver"; The First National Bank of Ordway, Colorado, as "the Ordway National Bank"; The Central Savings Bank and Trust Company of Denver, Colorado, as "the Trust Company"; the State Bank Commissioner of Colorado as "the commissioner"; John Amicon Brother and Company of Ordway, Colorado, as "the Amicon Co."; The Hallack and Howard Lumber Company of Denver, Colorado, as "the Lumber Co."; and Federal Reserve District No. 10 as "Dist. No. 10."

Plaintiff sent certain checks to defendant for collection which was not made. Alleging that this business was improperly handled to its damage in the sum of $8851.46 it brought this action to recover that amount with interest. The cause was tried to the Court which found for plaintiff in the sum of $7,528.40. To review the judgment entered accordingly defendant prosecutes this writ.

Defendant is organized under the Act of Congress creating Federal Reserve Banks. Plaintiff and the Ordway National Bank are both National Banks, citizens of Colorado, and members of defendant.

The Amicon Co. had a checking account in the Ordway State Bank with a balance therein to its credit of over $8,000. It drew thereon to the Lumber Co. nine checks for various sums, totaling its balance. September 27, 1921, the Lumber Co. indorsed these checks and deposited them with plaintiff for collection. The deposit slip used for that purpose contained the following conditions:

> "This Bank will observe due diligence in its endeavor to select responsible agents, but will not be liable in case of their failure or negligence or for loss of items in the mail. Checks on this Bank will be credited conditionally; if not found good at the close of business on day deposited they will be charged back to the depositor and the latter notified. All items are credited subject to final cash payment and are handled at the risk of depositor."

Plaintiff credited them to the checking account of the Lumber Co. and sent them to defendant for collection. Defendant thereupon indorsed them and sent them for payment to the Ordway State Bank on which they were drawn. Said bank received them on September 29, and on October 5, 1921, issued in payment thereof its draft on the Trust Company, stamped the checks "Paid", returned them to the Amicon Co. and charged that company's account with their face. Said draft on the Trust Company was sent by mail to defendant and received by it October 6, presented to the Trust Company for payment, and by it dishonored. October 8, the Ordway State Bank was closed by the commissioner. Three weeks later defendant notified plaintiff of this failure of the collection. Plaintiff thereupon notified the Lumber Co. and charged the paper back to it. The checks, however, remained in possession of the Amicon Co. All interest of the Lumber Co. has been assigned to plaintiff. Defendant thereafter filed, with the commissioner, its claim, based upon the dishonored draft above mentioned, and has received dividends thereon.

The negligence specifically charged to defendant, and whereon it is alleged its liability rests, consists in ; 1- forwarding said checks direct to the bank on which they were drawn, instead of collecting them through a third party; 2-surrendering said checks for the draft of the Ordway State Bank instead of demanding payment in cash; 3- failing

to collect within a reasonable time or notify plaintiff of that failure. A demurrer to the complaint for want of facts was overruled.

Aside from essential denials in the answer the second defense pleaded a banking custom to remit collections by draft instead of cash; also the provisions of "General Letter No. 233" of defendant (issued under authority of an Act of Congress) and regulation J, series of 1920, of the Federal Reserve Board; all which it is alleged, were a part of its contract with plaintiff and justified its conduct. A third defense asserted that plaintiff was not the real party in interest, because, not being the owner of the Amicon Co. checks it had lost nothing by reason of their cancellation uncollected. This was the contention upon which the demurrer to the complaint was based. A demurrer for want of facts was sustained to said second and third defenses.

The cause was tried to the Court without a jury. Findings were for plaintiff, and to review the judgment thereupon entered defendant prosecutes this writ.

Plaintiff first brought suit in the U. S. District Court for Colorado. The history of it there will be found in First Natl. Bank v. Federal Reserve Bank, 283 Fed. 700, and in 6 Fed. (2nd) 339. Meanwhile, by a U. S. Statute and its construction, (Federal Land Bank v. U. S. Natl. Bank, 13 Fed.--2nd--36) the U. S. District Court lost jurisdiction, and dismissed the cause without prejudice. Plaintiff thereupon filed the present action.

For the purpose of further consideration of this cause we will treat the second defense as standing and, in so far as material, admitted.

In sustaining the demurrer to the complaint in the U. S. Dis-

trict Court for Colorado, on August 16, 1922, Judge Symes did so on the ground that the Lumber Co. and defendant "are entire strangers, and the former, according to the rule in the Federal Courts and the courts of Colorado, has no right of action against the defendant. ***** The Assignor having no right of action, its assignee can be in no better position."

First Natl. Bank v. Fed. Reserve Bank 283 Fed. 700.

February 18, 1924, a cause reached final judgment which involved the liability of the Federal Reserve Bank of Richmond, Virginia, on a check drawn in North Carolina, on a bank in that state, first deposited for collection with a bank in Florida, and passing thence through two others to said Richmond bank which sent it for collection to the drawee, where it was paid with paper thereafter dishonored. In that cause the Supreme Court of the United States held that the rule announced by Judge Symes, supra, was the rule in the Federal courts, but that it "may, of course, be varied by contract, express or implied," and that a Florida statute, adopting the contrary rule, was written into the contract and controlled "the relations of the drawee to the initial bank of deposit."

Federal Reserve Bank v. Malloy 264 U. S. 160.

Assuming that "the Richmond bank was not negligent in sending the check directly to the bank on which it was drawn" the Court therein further held that if a bank receiving commercial paper for collection, "accepts the check of the party bound to make payment and surrenders the paper, it is responsible to the owner for the resulting loss. (Citing cases). It is unnecessary to cite other decisions since they are all practically uniform." The Court then considers the defenses of custom,

and the regulation of the Federal Reserve Board relied upon in the instant case, and so disposes of both as to make them entirely untenable here. The language of Mr. Justice Sutherland, author of that opinion, can not be improved upon, and its repetition would be superfluous. Citation is sufficient.

Thereafter, and on May 25, 1925, this controversy, as framed in the federal forum, reached the Circuit Court of Appeals of the Eight Circuit which held that the contract between the Lumber Co. and plaintiff, as disclosed by the deposit slip, had the same effect as given by the U. S. Supreme Court to the Florida statute in the Malloy case, supra, and that no want of knowledge of the terms of that contract could avail this defendant because "its duties in the premises were exactly the same whether it was acting as agent of the plaintiff or of the Lumber Co. and it can make no difference to defendant whether it is called upon to answer for its neglect of duty" to one of the other.

First Natl. Bank v. Fed. Reserve Bank 6 Fed. (2nd) 339.

Twelve days before that opinion was handed down the Act of Congress depriving the Federal Courts of jurisdiction and later resulting in the dismissal of the cause therein, had become effective, hence, strictly speaking, the judgment is not authority, but we approve its reasoning and conclusions.

Defendant here says all this is answered by City of Douglas v. Federal Reserve Bank 271 U. S. 489; 70 L. Ed. 1051, wherein the Court said:

> "When paper is indorsed without restriction by a depositor, and is at once passed to his credit by the bank to which he

> delivers it, he becomes the creditor of the bank; the bank becomes the owner of the paper, and in making the collection is not the agent for the depositor."

Standing without qualification that language would reverse the Malloy case, which, however, is cited in the opinion and clearly approved. The statement is, of course, intended to apply only in the absence of special contract. The Court thereupon takes up the contention of special contract, which therein rests only upon the following words contained in the pass book: "all out of town items credited subject to final payment," and holds that those words "did not vary the legal rights and liabilities incident to that relationship (of indorser and indorsee) unless it dispensed with notice of dishonor to the depositor." Hence we think this authority inapplicable.

That all this is entirely consistent with our own declaration on the subject, so far as this Court has spoken, seems clear.

> "Whether such a transaction constitutes a sale of the check to the first bank or is merely a deposit for collection depends upon the facts and circumstances attending the transaction."

First Natl. Bank v. Fleming State Bank 74 Colo. 309; 221 Pac. 891.

"Applying these principles to the instant case, we must necessarily hold that the intention of the parties is controlling."

Bromfield v. Cochran et al. _____ Colo. _____;
283 Pac. 45.

We conclude, therefore, that the demurrer to the complaint was properly overruled and that to the third defense properly sustained.

Of the defenses to the charge of negligence it remains only to notice further those of custom and "General Letter No. 233", although both, we think, are answered by the authorities cited. Since the letter

does not provide for collection save in cash it is, if otherwise valid, immaterial here. Assuming the custom it is no defense to negligence.

> Pinkney v. Kanawha Valley Bank 68 W. Va. 254; 69 S. E. 1012; 32 L. R. A. (N. S.) 987.

It is also therein held that if the collecting Bank has reason to doubt the stability of the drawee its diligence should be commensurate with that information; that the general rule is that direct transmission to the drawee is negligence; that if thereby the check, unpaid, is lost to the customer, he has an action in assumpsit against the collector for the full amount thereof.

We think, under the circumstances here disclosed, each of the acts charged, i. e., forwarding direct to the bank on which the checks were drawn, accepting payment in its draft instead of cash, and nine days' delay in action, constituted negligence. That conclusion is strengthened when we consider the three, as we should, collectively. But when we add to these that the Ordway State Bank belonged to a class among which there was at this time known weakness; that the items were, for it, large; that defendant had a member bank in the same small town to which the collection might have been sent; and that the letter of transmittal contained, among others, the following instructions --

> "Do not hold any items, but protest all items over $10 not promptly honored as drawn and return immediately. * * * Wire non-payment of items $500 or over" ---

all of which were violated; and there seems to us no remaining doubt of defendant's negligence and liability. Both, we think, were acknowledged when defendant filed with the commissioner its claim based upon the dishonored draft.

The judgment is affirmed.

Campbell J., not participating

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6530

March 10, 1930.

SUBJECT: Procedure for Redemption of Gold Certificates.

Dear Sir:

There is enclosed herewith copy of a letter received from Honorable Ogden L. Mills, Undersecretary of the Treasury, outlining a suggested special procedure for exchanging gold certificates of the old size still held by some of the Federal reserve banks and Federal reserve agents, for new size certificates. Certain Federal reserve banks have already exchanged their old size gold certificates for new and this letter is addressed to them merely as a matter of information.

It is requested that those Federal reserve banks having old size gold certificates on hand, advise the Board at as early a date as possible, the amount and denomination of such old size certificates held by the bank and the Federal reserve agent, together with the amount and denominations which it is desired to have shipped from Washington in exchange. Upon receipt of this advice the Board will arrange a schedule of shipments. Telegraphic advice in the usual course will be forwarded to the Federal reserve bank on the date shipments are dispatched from Washington and on the day the new size certificates are received the Federal reserve bank will arrange to redeem an equivalent amount of the old size certificates in accordance with the present established procedure.

The Undersecretary emphasizes the fact that the success of this procedure is dependent upon the redemption of the old size certificates on the same day that the new size are received and your cooperation on this point is urgently solicited. The above arrangement does not involve any changes in the present accounting procedure. The shipment and redemption operations are merely intended to balance one another and thus prevent any unusual change in the gold position of either the Federal reserve banks or the Treasury.

Due to the fact that they are dependent entirely upon the free gold position of the Treasury, shipments of gold certificates in the past, aside from the special exchange

transactions referred to above, have occasioned difficulty, particularly during Treasury financing periods. In order to avoid this difficulty in the future, a plan is now under discussion which will provide for automatic credit in the gold settlement fund for all redemptions of gold certificates and payment for new certificates shipped by gold settlement fund check on the date of receipt. This plan has not yet been worked into definite form for submission to the Secretary of the Treasury and the Board, but when the details have been agreed upon, if it receives the approval of the Secretary and the Board, the Federal reserve banks will be advised.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

COPY

X-6530-a

TREASURY DEPARTMENT

WASHINGTON

March 5, 1930.

Dear Governor Young:

I understand that several of the Federal Reserve Agents and Federal Reserve Banks have in their own cash holdings substantial sums of old-size gold certificates which they wish to exchange for the new-size certificates. On account of the necessity for the Treasury to hold free gold against gold certificates in transit, the present procedure is not adequate to handle transactions involving these large amounts. It is therefore suggested that the following procedure be observed:

(1) The Board will ascertain from each Federal Reserve Bank the amount of the old-size gold certificates held by the Federal Reserve Agent, and the Federal Reserve Banks and branches which it is desired to exchange for the new-size certificates, and will furnish to the Treasurer of the United States the amounts according to Federal Reserve Banks and branches.

(2) In the case of each Federal Reserve Bank, new-size gold certificates will be shipped by the Treasurer upon request of the Board in specified amounts, with the understanding that on the date the new-size certificates are received and credited in the Treasurer's account, a like amount of old-size gold certificates will be redeemed in accordance with instructions under the procedure now observed.

(3) Full instructions in the matter will be given by the Board to each of the Federal Reserve Banks concerned, and it should be made clear that in each instance both transactions (receipt and redemption) should occur on the same date.

The above-outlined procedure will make the transactions "wash" through the Government's account on the same date without disturbance of the present accounting procedure in any manner, and should enable the Board to handle these transactions with greater expedition without incurring any additional risk in the matter to the Government.

Very truly yours,

(S) Ogden L. Mills
Undersecretary of the Treasury

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

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6531

March 10, 1930.

SUBJECT: Calculation of Reserves as at the Close of Business the Previous Day.

Dear Sir:

The Board has received replies from all Federal reserve banks to its letter of January 31, (X-6489), asking for expressions as to what benefits it is expected member banks would derive from a proposed amendment to the Board's Regulations which would permit the calculation of reserves as at the close of business the previous day.

These replies were referred to the recently appointed committee on reserves which feels that this question should be considered in connection with a number of other questions which are bound to arise in the course of its study, and upon its recommendation, at the meeting of the Board on March 6, it was voted that the proposal be left without determination until the committee has considered the whole reserve problem.

Very truly yours,

R. A. Young,
Governor.

TO GOVERNORS OF ALL F. R. BANKS.

X-6534

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

For immediate release. March 13, 1930.

The Federal Reserve Board announces that the Federal Reserve Bank of New York has established a rediscount rate of 3 1/2 per cent on all classes of paper of all maturities, effective March 14, 1930.

X-6535

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

Washington, D. C.
For release at 3 p. m. March 14, 1930.

The Federal Reserve Board announces that the Federal Reserve Bank of Cleveland has established a rediscount rate of 4% on all classes of paper of all maturities, effective March 15, 1930.

COPY

X-6536

Law Offices
UELAND & UELAND
800 Security Building
Minneapolis

Andreas Ueland
Sigurd Ueland
Rolf Ueland

Marcus G. Sundheim

February 27, 1930.

Walter Wyatt, Esq.,
Counsel Federal Reserve Board,
Washington, D.C.

Dear Mr. Wyatt:-

In the case of Osage National Bank v. Federal Reserve Bank of Minneapolis the trial judge has entered an order pursuant to plaintiff's motion for amended findings, in which order the court amends its findings heretofore filed by adding a paragraph reading as follows:

> "That at the time said checks of plaintiff were received by said Corn Exchange National Bank, and at the time of all transactions involved in this action it was the law of the State of Illinois, in which state said Corn Exchange National Bank was situated and where it received said checks of plaintiff for deposit, that a bank in which checks drawn on a bank in a distant city, are deposited for collection and credit and endorsed by the depositor: "Pay to the order of any bank or banker," becomes the agent of the depositor to collect such checks, and that any bank to which said checks are forwarded for collection by the bank in which they were first deposited, becomes likewise in turn the agent of the depositor for purposes of collection; and is accountable to such depositor for all breaches of duty and obligation on its part that may occur. That this is true, even though the bank in which said checks are first deposited, permits the depositor to draw against such checks before they are actually collected."

Otherwise the motion for amended findings is in all respects denied.

The trial judge thus finds against us in our contention

that the Minnesota court should determine what was the Illinois law in accordance with the decisions of the federal courts sitting in Illinois and the Minnesota decisions rather than in accordance with the decisions of the state courts of Illinois.

The appeal by the plaintiff will be from a judgment to be entered in favor of the Federal Reserve Bank of Minneapolis. Under our practice cross-appeals are not allowed, and hence this question of the correctness of the ruling of the trial judge upon what is the Illinois law will probably not be before the Supreme Court on the first appeal. We say "probably" because our Court does not always adhere to its previous decisions, especially in matters of practice. Should the judgment in favor of the Federal Reserve Bank of Minneapolis be reversed on the appeal (which we very much doubt), then we think the Federal Reserve Bank could in turn appeal and assign as error the ruling of the trial court as to the Illinois law, and assert that the defendant bank is not liable under the rule in the City of Douglas case, and for other reasons.

Very cordially yours,

(S) Sigurd Ueland.

SU*MS.

COPY X-6536-a

STATE OF MINNESOTA DISTRICT COURT

COUNTY OF HENNEPIN FOURTH JUDICIAL DISTRICT

Osage National Bank,

Plaintiff,

-vs-

Federal Reserve Bank of Minneapolis,

Defendant.

FINDINGS OF FACT.
CONCLUSIONS OF LAW.
AND
ORDER FOR JUDGMENT.

The above entitled cause was tried on the 28th day of February, the 1st day of March, and the 15th, 16th, 17th and 18th days of June, 1927, before the Court without a jury, a jury being waived. Messrs. Shearer, Byard & Trogner appeared on behalf of plaintiff and Messrs. Ueland & Ueland appeared on behalf of the defendant. Thereafter certain stipulations between the parties as to facts not covered by the testimony were filed, briefs were submitted, and the case was argued by counsel on the 22nd, 24th and 25th days of June, 1929, and the Court having heard the evidence adduced and having read the stipulations on file, and being fully advised in the premises,

FINDS AS FACTS:

1. That on March 15, 1921 plaintiff was the owner of two checks drawn payable to its order by the Treasurer of Williams County, North Dakota, said checks being in the amounts of $6420.00 and $2022.30, respectively, and both of said checks being drawn upon the Williston State Bank of Williston, North Dakota; that on the same date plaintiff endorsed both of said checks "pay to the order of any bank or banker", followed by

the signature of plaintiff, and sent said checks from plaintiff's place of business at Osage, Iowa to the Corn Exchange National Bank in Chicago, Illinois; that said checks were enclosed with a form letter from plaintiff addressed to said Corn Exchange National Bank reading: "We enclose for collection and credit:" and listing the amounts of said checks together with other items.

2. That said Corn Exchange National Bank received said checks on March 16, 1921, and said Corn Exchange National Bank thereupon gave plaintiff credit in its account with said Corn Exchange National Bank for the amount of said checks, and advised plaintiff that it had credited the amount of said checks "subject to final payment"; that said Corn Exchange National Bank paid interest to plaintiff based upon the daily balances in plaintiff's account, but in computing such interest a deduction was made on account of checks payable outside of the City of Chicago in the process of collection, and such deduction was made by the Corn Exchange National Bank with respect to the checks here involved.

3. That on March 16, 1921 said Corn Exchange National Bank endorsed said checks "pay to the order of any bank, banker or trust company", followed by its own signature, and forwarded said checks to defendant at Minneapolis; that said checks were enclosed with a form letter of said Corn Exchange National Bank stating that said checks were enclosed "for credit", and containing certain instructions as to protest of items, and for wiring advices in cases of non-payment.

4. That defendant received said checks on March 17, 1921, and on the same day defendant endorsed said checks "pay to any bank, banker or trust company" and forwarded said checks by mail directly to said

Williston State Bank, said checks being enclosed with a letter of instructions advising said Williston State Bank that said checks were enclosed "for collection and returns", and giving similar directions as to protest of items and wiring advices of non-payment thereof as were contained in said letter from said Corn Exchange National Bank; that said letter from defendant to said Williston State Bank also contained the direction "return this letter with your draft".

5. That on March 17, 1921 said Williston State Bank was in fact insolvent and was unable to pay the checks of its depositors as presented, and that said insolvency and inability to pay the demands of its depositors continued until said Williston State Bank suspended on April 4, 1921, and that at no time after March 17, 1921 could the checks here involved been collected in cash or otherwise from said Williston State Bank.

6. That on March 22, 1921 said Williston State Bank stamped said checks "paid" and charged the amount of said checks to the account of the Treasurer of Williams County, and said checks were returned to said Treasurer by United States mail on March 30, 1921.

7. That on March 28, 1921 said Williston State Bank drew its draft in the sum of $8619.02 on the Merchants National Bank of St. Paul, Minnesota, which draft was payable to the order of defendant; that said draft was intended by said Williston State Bank as a remittance for the checks here involved and other items received from defendant; that said draft was not mailed by said Williston State Bank until March 31, 1921 and was received by defendant on Saturday, April 2, 1921; that at the time said draft was mailed by said Williston State Bank and until the

suspension of said Williston State Bank on April 4, 1921 said Williston State Bank was overdrawn at said Merchants National Bank of St. Paul and had no funds on deposit with which to meet the payment of said draft; that upon receipt of said draft defendant ascertained that said draft would not be paid and defendant so notified said Williston State Bank; that on April 7, 1921 defendant caused said draft to be protested, but that prior to said April 7, 1921 defendant neither authorized nor accepted said draft.

8. That in the usual course of business defendant should have received remittance for said checks from said Williston State Bank by the 22nd day of March, 1921; that when payment was not so received defendant exercised due diligence in making inquiry concerning said checks and in demanding payment thereof from said Williston State Bank, and defendant also exercised due diligence in advising said Corn Exchange National Bank that it had not received a remittance for said checks.

9. That shortly after April 4, 1921 defendant charged back the amount of said checks to the account of the Federal Reserve Bank of Chicago and immediately thereafter said Federal Reserve Bank of Chicago charged the amount of said checks to the account of said Corn Exchange National Bank; that on November 10, 1921 said Corn Exchange National Bank charged the account of plaintiff with the amount of said checks; that plaintiff did not acquiesce in said charge and did not credit the Corn Exchange National Bank on its books with the amount of said checks until December 28, 1921 when plaintiff complied with a ruling of the Comptroller of the Currency and credited said Corn Exchange National Bank for the amount of said checks, and charged said amount to undivided profits.

10. That said checks were handled by defendant as part of defendant's clearing house operations pursuant to Regulation J - Series of 1920 - promulgated by the Federal Reserve Board, and that said checks were received by defendant direct from said Corn Exchange National Bank pursuant to an arrangement entered into between defendant, the Federal Reserve Bank of Chicago, and said Corn Exchange National Bank, whereby the privilege of routing checks direct to defendant was extended to said Corn Exchange National Bank, and whereby it was understood and agreed that all checks so routed direct to defendant should be received and handled by it, in all respects, in the same manner and subject to the same terms and conditions that other checks were handled by defendant in its clearing house operations.

11. That plaintiff and said Corn Exchange National Bank were member banks of said Federal Reserve Bank of Chicago, and that said Williston State Bank was a non-member bank in the Ninth Federal Reserve District which, on March 17, 1921, was remitting for checks drawn on it at par.

12. That Regulation J - Series of 1920 - promulgated by the Federal Reserve Board as aforesaid provided in part as follows:

> "In handling items for member * * * banks, a Federal Reserve Bank will act as agent only. The Board will require that each member * * * bank authorize its Federal Reserve Bank to send checks for collection to banks on which checks are drawn, and, except for negligence, such Federal Reserve Bank will assume no liability. * * * Each Federal Reserve Bank will also promulgate rules and regulations governing the details of its operations as a clearing house, such rules and regulations to be binding upon all member * * * banks which are clearing through the Federal Reserve Bank."

13. That pursuant to and in accordance with said order and regulation of the Federal Reserve Board defendant did promulgate rules and regulations

governing the details of its operations as a clearing house under said Federal Reserve Act; that said rules and regulations which were in force at all times here material provided in part as follows:

> "Checks received by the Federal Reserve Bank drawn on its member banks will be forwarded direct to such member banks and are to be remitted for by the member banks on day of receipt if possible, by their draft on the Federal Reserve Bank, provided they have a balance in excess of their required reserve, or by their draft on a bank in Minneapolis or St. Paul. Member banks are required by the Federal Reserve Board to provide funds to cover at par all checks received from their Federal Reserve Bank.
> * * *
>
> "In handling items for member banks, the Federal Reserve Bank of Minneapolis acts as agent only. It is understood that each member bank authorizes it to send checks for collection direct to banks on which checks are drawn, and except for negligence the Federal Reserve Bank of Minneapolis assumes no liability until funds are actually in its hands, and is authorized to charge back any item for which it has not received final payment, including items lost in transit."

14. That said rules and regulations of defendant were contained in a check clearing circular of defendant known as defendant's circular No. 228; that said circular No. 228 was mailed to the Federal Reserve Bank of Chicago and to said Corn Exchange National Bank long prior to March 16, 1921, but that no copy of said circular was ever furnished to or received by plaintiff, and that plaintiff had no direct dealings with defendant until long after April 4, 1921.

15. That during all of March and April, 1921, and prior thereto, it was the established, general, uniform and certain usage and custom among banking institutions in Minnesota and North Dakota, where checks deposited for collection drawn on banks located at a distance had been forwarded direct to the drawee or payor bank for collection, for the drawee or payor bank to remit the proceeds of the collection in exchange drafts drawn on banks in the vicinity of the forwarding bank, and it was

the established, general, uniform and certain usage and custom among banking institutions in said states for the forwarding bank to permit such remittance by draft, and upon receipt of the exchange or remittance drafts to endeavor to collect the same.

16. That the only loss in connection with the collection of the checks here involved was incurred from the fact that said Williston State Bank, on March 22, 1921, wrongfully treated said checks as paid, as hereinbefore set forth, without having available funds to remit for said checks to defendant, whereby the drawer of said checks was discharged on March 22, 1921.

17. That the only terms and conditions upon which defendant ever agreed to handle said checks were those terms and conditions contained in said Regulation J and defendant's circular No. 228, as hereinbefore set forth.

18. That until April 2, 1921 defendant had no knowledge or notice of the unsafe condition of said Williston State Bank and that defendant in handling said checks for $6420.00 and $2022.30 for collection was not negligent in any particular.

19. That on or about April 20, 1921 an agreement was entered into between defendant and said Corn Exchange National Bank that if defendant would file a claim as the agent of said Corn Exchange National Bank in the receivership of said Williston State Bank on account of that bank's failure to remit for the checks here involved, without expense to said Corn Exchange National Bank, said Corn Exchange National Bank "would not look to" defendant except for such dividends as defendant might receive on account of such claim; that pursuant to this arrangement defendant

on or about June 6, 1921 did file a proof of claim and thereafter received a receiver's certificate therefor, but that no dividends have been paid to defendant on such proof of claim; that at the time this arrangement was entered into defendant had no notice of the plaintiff's interest in said checks and the claim on account thereof against said Williston State Bank except such notice as was given by the form of said checks themselves and the endorsements thereon.

AS CONCLUSIONS OF LAW the Court finds that defendant is entitled to judgment of dismissal against plaintiff and for its costs and disbursements to be taxed by the Clerk.

LET JUDGMENT BE ENTERED ACCORDINGLY.

Dated July 24, 1929.

(s) Gunnar H. Nordbye
Judge of District Court

Enter a stay of forty (40) days.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6537

March 17, 1930.

SUBJECT: Code word covering credits in Treasurer's account in connection with reimbursements of 5% redemption fund.

Dear Sir:

At the request of the National Bank Redemption Agency, of the Treasury Department, there is given below a code word which may be used in telegrams addressed to that Agency by the Federal reserve banks in connection with reimbursements of 5% redemption fund:

DUPATED: We credit Treasurer's account $_____ covering total of deposits this date for five per cent fund, national bank notes, as per itemized schedule sent by mail.

This word should be inserted in the Federal Reserve Telegraph Code book, following the word "DUPATE" at the top of page 83.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6539

March 18, 1930.

SUBJECT: Holidays during April, 1930.

Dear Sir:

The Federal Reserve Banks and Branches listed below will be closed on dates specified during the month of April, on account of holidays:

Saturday	April 12	Charlotte	Halifax Day
Monday	April 14	Birmingham	Thomas Jefferson's birthday
Tuesday	April 15	Salt Lake City	Arbor Day
Friday	April 18	Philadelphia Pittsburgh Baltimore New Orleans Nashville Jacksonville Havana Agency Memphis Minneapolis	Good Friday
Saturday	April 19	Boston	Patriots' Day
Monday	April 21	Dallas El Paso Houston San Antonio	San Jacinto Day
Tuesday	April 22	Omaha	Arbor Day
Saturday	April 26	Atlanta Birmingham Jacksonville	Southern Memorial Day

On the dates indicated the banks affected will not participate in either the Gold Fund Clearing or the Federal Reserve Note Clearing.

Please include credits for the banks affected on each of the holidays with your credits for the following business day in the Gold Fund Clearing, and make no shipments of Federal reserve notes, fit or unfit, for account of the head offices concerned on the holidays mentioned.

Please notify branches.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6540

March 18, 1930.

SUBJECT: Expenses of Federal Reserve Banks in Handling Matters for Federal Farm Board.

Dear Sir:

There is enclosed herewith a copy of a recent decision of the Comptroller General of the United States with reference to the payment of expenses incurred in connection with loans made by the Federal Farm Board. The apparent effect of this decision is that Federal reserve banks must look to the borrower rather than to the Federal Farm Board for reimbursement for any expenses incurred by the reserve banks in handling any such matters for the Federal Farm Board as fiscal agent of the United States. The decision states, however, that where necessary, the banks may be given a standing authority to deduct the amount of any such expenses as the money is advanced under the loan.

This is submitted to you merely for your information, but in case, upon consideration, you feel that this decision will cause any considerable trouble or inconvenience to your bank or put upon it some burden which it should not reasonably be asked to assume, it is suggested that you submit such comments as you may have to the Federal Reserve Board or directly to the Federal Farm Board to see what, if anything, should or may be done to correct the situation.

By Order of the Federal Reserve Board.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

Enclosure.

TO GOVERNORS OF ALL F. R. BANKS.

X-6541

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

For release at 3:00 p. m. March 19, 1930.

The Federal Reserve Board announces that the Federal Reserve Bank of Philadelphia has established a rediscount rate of 4 per cent on all classes of paper of all maturities, effective March 20, 1930.

C O P Y

X-6542

FEDERAL RESERVE BANK

OF ATLANTA

Law Department
422-430 Healey Bldg.
Randolph & Parker
General Counsel

February 27, 1930.

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

Dear Mr. Wyatt:

I have now obtained and hand you herewith two copies of the opinion rendered by the Circuit Court of Appeals for the Fifth Circuit in the suit which originated in a bill of interpleader filed by the Federal Reserve Bank of Atlanta against the Receiver of the Fourth National Bank of Macon, et als.

Somewhat to my surprise, I found that the Court had considered three cases together and had embodied the conclusions reached with respect thereto in one opinion. The interpleader suit, as you will note, was No. 5737.

Case No. 5663 is in accordance with the rule in the Federal courts and seems to present nothing of particular interest.

Case No. 5659 seems likewise to have been correctly decided. It may be of interest in that the owner of a draft, which had been paid by a check drawn on a bank other than the insolvent, which check was collected by the latter through a local clearing house on the day of insolvency, was allowed to recover the amount of the draft from the receiver, even though actual settlement of the clearing house balance in favor of the insolvent was not made until after suspension.

The rights of the parties involved in the interpleader were very doubtful to my mind. I rather felt as though the District Court (which was reversed by the appellate court) had correctly decided the case. However, there was certainly basis for strong contentions on both sides. This case, while presenting nice questions, may be largely of academic interest. It was decided upon a particular form of "immediate debit" agreement which was not as specific as it might have been. Since the failure of the Macon bank the form of the immediate debit contract utilized by the Atlanta Bank has been revised and, in its present form,

would, I think, certainly be construed as the old contract was construed by the appellate court.

Some of the statements of the court are not entirely clear: for example, the court said that the immediate debit arrangement was entered into "so as to comply with the ruling of the Federal Reserve Bank of Atlanta as to clearance at par." Par clearance had nothing to do with the matter. Of course the Reserve bank cannot give immediate credit to the reserve account of a member bank of funds which are not immediately available, nor can it accept drafts not immediately available from its members in remittance for cash letters. It was for this reason that the Macon bank requested the Federal Reserve Bank to charge against its reserve account, immediately upon receipt, checks drawn upon it by certain banks maintaining accounts with the Macon bank subject to final payment after inspection.

I think the court also misconceived the purpose of the requirement that the Macon bank should maintain in its reserve account, in addition to the amount required by law, "sufficient collected, available funds" to cover such checks as might be immediately debited in accordance with the arrangement. The sole purpose of this requirement was to assure the maintenance of an adequate reserve balance and not to provide the security of a special fund for the payment of these checks.

The Receiver has applied to the Supreme Court for a writ of certiorari, and I am sending you herewith a copy of the petition and supporting brief. In view of the allowance of the writ in the Early case, the Supreme Court may grant the writ in the instant matter, although, as stated above, I do not think that the Macon case is as important to the Federal Reserve System as the Receiver contends. Essentially, it involves nothing more than a construction of a particular form of agreement - which agreement, as set out above, has already been amended.

Although you have the same in your files, I am sending you, for your ready reference, a copy of the bill of interpleader.

Very truly yours,

(S) Robt. S. Parker.

RSP/w.

Encs.

C O P Y

X-6542-a

63497

IN THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE FIFTH CIRCUIT.

No. 5663

THE EARLY & DANIEL COMPANY, Appellant,

versus

HERBERT PEARSON, AS RECEIVER OF THE FOURTH NATIONAL BANK OF MACON, GEORGIA, Appellee.

No. 5659

HERBERT PEARSON, AS RECEIVER OF THE FOURTH NATIONAL BANK OF MACON, GEORGIA, Appellant,

versus

SUMMEY & TOLSON, TRADING AS GEORGE H. MCFADDEN & BRO. AGENCY, Appellee.

No. 5737

FARMERS NATIONAL BANK OF MONTICELLO, ET AL., Appellant,

versus

HERBERT PEARSON, AS RECEIVER OF THE FOURTH NATIONAL BANK OF MACON, GEORGIA, Appellee.

Appeals from the District Court of the United States for the Middle District of Georgia.

Pope F. Brock, (Brock, Sparks & Russell on the brief) for Appellant in No. 5663.

Scott Russell, (Jones, Jones, Johnston & Russell on the brief) for Appellee in No. 5663.

Scott Russell, George S. Jones, George P. Barse, (Jones, Jones, Johnston & Russell on the brief) for Appellant in No. 5659.

Robert T. Jones, Jr., (Jones, Evins, Powers & Jones on the brief) for Appellee in No. 5659.

Harry S. Strozier, Orville A. Park, R. L. Williams, Jr., L. A. Wilson, John W. Bennett, L. E. Pedrick, for Appellants in No. 5737.

Scott Russell, (Jones, Jones, Johnston & Russell on the brief) for Appellee in No. 5737.

Before WALKER, BRYAN and FOSTER, Circuit Judges.

BRYAN, Circuit Judge.

These three suits arose out of the failure of the Fourth National Bank of Macon, Georgia, and may be disposed of in a single opinion. The bank, herein sometimes called the Macon bank, failed and a receiver was appointed on November 26, 1928. The first two suits were brought against the receiver only, while in the third the appellants, as well as the receiver, were made parties defendant to a bill of interpleader.

In No. 5663 the appellant's bill averred that on November 19, 1928, the company made drafts on the Birdsey Flour Mills of Macon, payable to the bank, with bills of lading attached, covering shipments of grain; that on the face of each draft was printed, "This draft is a cash item and is not to be treated as a deposit.

Funds obtained through its collection are to be accounted for to drawer, and are not to be co-mingled with the other funds of collecting bank;" that on November 23 the bank accepted check of the Birdsey Flour Mills on itself and delivered the bills of lading; that the Birdsey Flour Mills had sufficient funds to its credit in the bank to pay the check; that the bank issued and transmitted to appellant a cashier's check on the Guaranty Trust Company of New York for the aggregate amount of the drafts less exchange; that appellant upon receipt of the bank's check sent it through the usual banking channels, but before it could be presented to the Guaranty Trust Co. the Macon bank failed, "and the Guaranty Trust Company declined to honor said check." The trial court sustained the receiver's motion to dismiss the bill.

In No. 5659 these were the facts: On November 23, 1928, appellee drew a draft for $4,184.05 on the Bibb Manufacturing Company of Macon, and sent it to the Macon bank for collection and remittance to a bank in Philadelphia for the drawer's credit. On the 24th the drawee gave in payment of the draft its check on the Citizens & Southern Bank. On the 26th the Macon bank deposited this check, with others drawn on the Citizens & Southern Bank, in the Macon clearing house, and would have received credit for it except for the fact that it failed on that day. In the final settlement of account between the two banks on that day's clearance there was a balance of about $29,400 in favor of the Macon bank, which the Citizens & Southern Bank later paid to the receiver. Because of its

failure, the Macon bank did not make remittance to the Philadelphia bank for appellee's account in compliance with its instructions. Appellee recovered judgment against the receiver for the amount of its draft less exchange.

In No. 5737 the appellants are thirteen banks which were depositors in the Macon bank. In order to prevent the transfer of their deposits to Atlanta, so as to comply with a ruling of the Federal Reserve Bank of Atlanta as to clearance at par, the Macon bank agreed with each of the appellants to make arrangements with the Federal Reserve to credit all checks of appellants drawn on it to the reserve account of the drawer, and to charge them to the reserve account of the Macon bank immediately upon receipt of such checks by the Federal Reserve; provided that payment should not be considered final on bad checks. To carry out its obligations, the Macon bank agreed to maintain on deposit with the Federal Reserve, over and above its lawful reserve, sufficient funds to cover the checks of appellants, and the Federal Reserve agreed to the plan of immediate credit and debit. These agreements were made for the purpose of providing par clearance and not for the purpose of security, but without them appellants would not have continued to carry balances in the Macon bank. They were in full force and effect when on November 24, 1928, appellants drew checks on the Macon bank payable to the Federal Reserve. These checks were drawn in the ordinary course of business, some of them in settlement of cash letters received from the Federal Reserve and others to the credit of the drawers, and they amounted in the aggregate to about $91,000.

They were received by the Federal Reserve on the morning of November 26 before it opened for business. At the opening of the Federal Reserve for business on November 26 the deposits with it to the credit of the Macon bank were only about $1,000, but the Macon bank, at the time it closed its doors, which was at 10:15 A.M. on that day, had to its credit in the Federal Reserve funds sufficient to pay the checks of appellants, and at the close of that day's business had a balance of $744,000. Demands were made upon the Federal Reserve for the payment of the amount represented by the checks by appellants, and also by appellee as receiver of the Macon bank. The Federal Reserve refused to pay to either, but brought a bill of interpleader and paid into court that amount less dividends paid out or in the hands of the receiver. The final decree ordered that the amount in the registry of the court be paid to the receiver.

A question common to the three cases, and one which in our opinion is decisive of each, is whether the evidence discloses a contract under which there was created an equitable assignment of, or lien upon, funds of the Macon bank in favor of the drawers of the drafts or checks. The doctrine of equitable assignment or liens rests upon the maxim that equity regards as done that which ought to be done, and under it effect will be given to the intention of parties to a contract to make some particular property or fund security for a debt or other obligation. But to make that doctrine applicable, it is necessary that the property or fund be identified or rendered capable of identification. It is not es-

sential, however, that such property or fund be in existence at the time the contract was made; it is sufficient that it be in existence during the time within which the assignment may operate. 3 Pomeroy's Eq. Jur. (4th Ed.) sections 1235, 1236, 1237. The right of a cestui que trust to property which has become mingled with property of the trustee continues to exist so long as it is possible to identify the property of the cestui que trust either in its original or substituted form; but ceases to exist and the trust is destroyed when the trust property has become so intermingled with the general property of the trustee that it can no longer be traced and identified, and in the case of an insolvent trustee the cestui que trust occupies no better position than that of a general creditor. 26 R.C.L. 1354. In making specific application of the doctrine of equitable assignment to bank funds, the Supreme Court, in Fourth Street Bank v. Yardley, 165 U.S. 634, said:

> "It is also settled that a check, drawn in the ordinary form, does not, as between the maker and payee, constitute an equitable assignment pro tanto of an indebtedness owing by the bank upon which the check has been drawn, and that the mere giving and receipt of the check does not entitle the holder to priority over general creditors in a fund received from such bank by an assignee under a general assignment made by the debtor for the benefit of his creditors. Florence Mining Company v. Brown, 124 U.S. 385; LaClede Bank v. Schuler, 120 U.S. 511.

That the owner of a chose in action or of property in the custody of another may assign a part of such rights, and that an assignment of this nature, if made, will be enforced in equity, is also settled doctrine of this court. (citing cases).

Whilst an equitable assignment or lien will not arise against a deposit account solely by reason of a check drawn against the same, yet the authorities establish that if in the transaction connected with the delivery of the check it was the understanding and agreement of the parties that an advance about to be made should be a charge on and be satisfied out of a specified fund, a court of equity will lend its aid to carry such agreement into effect as against the drawer of the check, mere volunteers, and parties charged with notice." And it was also held that an equitable assignment applies not only to cash on deposit but also to money or drafts in the course of transmission or collection.

The just cited case has not been modified as it contended by the receiver by Equitable Trust Co. v. First National Bank of Trinidad, 275 U.S. 359, which dealt with bank credits as distinguished from bank funds on deposit; nor by any later Supreme Court decision. It therefore becomes unnecessary to review or to consider the many decisions cited in argument from district courts and circuit courts of appeals.

In No. 5663 the bill failed to aver that the Macon bank had on deposit with the Guaranty Trust Co. in New York funds which it

could have assigned by its cashier's check payable to the appellant. But assuming that there were such funds out of which the cashier's check could have been paid, yet it is not made to appear that they could be traced or identified, or came into the hands of the receiver. Although it be conceded that the Macon bank violated its instructions, nevertheless it remains true that the proceeds of the appellant's draft were mingled with an became a part of the general mass of unidentified bank funds, with the result that the appellant's claim was no better than that of a general creditor.

In No. 5659 the proceeds of the appellee's draft are easily traceable into the balance which the Citizens & Southern Bank after the Macon bank's failure paid to the receiver. It therefore appears that the receiver came into possession of an identified fund which belonged not to the failed bank but to the appellee. We therefore think that the judgment in this case against the receiver was clearly right.

In No. 5737 the Macon bank at the time of its failure had on deposit with the Federal Reserve sufficient funds to pay the checks of the appellants. Under its agreements with the appellants and its arrangement with the Federal Reserve, those funds were required to be set apart, that is to say they were in equity assigned, to be used, insofar as was necessary, in the payment of checks of the appellants. As soon as those funds became available, such part of them as was necessary to pay the check of appellants already in the Federal Reserve Bank passed out of the control of the Macon bank and was required by express agreement

to be credited immediately to the appellants. The right of the appellants to immediate credit was provided for even though it should turn out that some or even all of the checks were drawn against insufficient funds, though in this case the provision for return of bad checks was not applicable since all the checks were good. The primary purpose of the contracts was to provide for par clearance and immediate transfer of funds. Security, although not the primary purpose of the contract, was in fact required by the provision which obligated the Macon bank to provide a special fund for the payment of checks of the appellants. We conclude that in this case there was an equitable assignment to the appellants of the funds of the Macon bank in the Federal Reserve bank, at the time of the former bank's failure.

The judgment in No. 5663 is affirmed.
The judgment in No. 5659 is affirmed.
The judgment in No. 5737 is reversed, and that cause is remanded for further proceedings not inconsistent with this opinion.

(ORIGINAL FILED DECEMBER 19th, 1929)

UNITED STATES CIRCUIT COURT OF APPEALS FOR THE

FIFTH CIRCUIT

I, OAKLEY F. DODD, Clerk of the United States Circuit Court of Appeals for the Fifth Circuit, do hereby certify that the foregoing eight pages, numbered from -1 - to -8- inclusive, contain a true copy of the OPINION OF THE COURT IN THE CASE OF THE EARLY & DANIEL COMPANY, Appellant, No. 5663, versus HERBERT PEARSON, AS RECEIVER OF THE FOURTH NATIONAL BANK OF MACON, GEORGIA, Appellee,

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HERBERT PEARSON, AS RECEIVER OF THE FOURTH NATIONAL BANK OF MACON, Appellant, No. 5659, versus SUMMEY & TOLSON, TRADING AS GEORGE H. McFADDEN & BRO. AGENCY, Appellee.

FARMERS NATIONAL BANK OF MONTICELLO, ET AL, Appellants, No. 5737, versus HERBERT PEARSON, RECEIVER OF THE FOURTH NATIONAL BANK OF MACON, GEORGIA, Appellee, as the same remains upon the files and records of said United States Circuit Court of Appeals.

IN TESTIMONY WHEREOF, I hereunto subscribe my name and affix the seal of said United States Circuit Court of Appeals, at the City of New Orleans, Louisiana, this 19th day of December, A. D. 1929.

(SEAL)

(Signed) Oakley F. Dodd

Clerk of the United States Circuit Court of Appeals for the Fifth Circuit.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6543

March 19, 1930.

SUBJECT: Acceptances Drawn Against Staples Placed With Independent Converter or Processer.

Dear Sir:

Acting upon certain recommendations of the General Committee on Bankers' Acceptances, the Federal Reserve Board in its letter of November 8, 1929 (X-6415) ruled that a draft drawn by the purchaser of goods under certain circumstances is eligible for acceptance by a member bank when it has a maturity consistent with the usual and customary credit time prevailing in the particular business.

In that letter the Board stated that it had not taken action on the other proposal recommended by the General Committee on Bankers' Acceptances, which would permit bankers' acceptances to be drawn against readily marketable staples during the time they are being processed or converted by an independent processer or converter. As a specific example of a transaction illustrating the latter proposal, the Committee submitted to the Board the following:

A certain firm is a dealer in various standard textile materials which in the ordinary course are delivered to a bleaching and dyeing company for processing. The latter company, which is independent of the textile firm, issues its negotiable receipt for the textile materials, which are readily marketable staples. The entire process of bleaching and dyeing usually takes from six to eight weeks, only a few days being required for the actual processing and the balance of the period for ironing, folding, packing, etc. The textile firm desires to obtain an acceptance credit from the bank and draw bills thereunder to finance the carrying of the textiles pending the time they are with the bleaching company and until ready for market. The accepting bank would be secured by the negotiable receipt issued by the bleaching company and would remain secured in accordance with the requirements of the Federal Reserve Board's Regulations.

After a careful consideration of this proposal, the Federal Reserve Board has now voted to disapprove it and is of

the opinion that bills drawn under the circumstances stated are not to be considered eligible for acceptance by member banks.

By Order of the Federal Reserve Board.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS

X-6544

For release at 2:30 P.M.
March 20, 1930.

CREDIT AND ITS PRESENT RELATION TO BUSINESS

Address by

R. A. Young,

Governor, Federal Reserve Board.

- - - - - - - - -

(Topic of talk before the American Automobile Association, March 20, 1930, as broadcast over a nation-wide net work of the National Broadcasting Company.)

Mr. Toastmaster and Representatives of the Automobile Association of America:

I consider it a great honor to have the opportunity to dine with you today, and also consider it a rare privilege to speak to you.

The radio time that has been allotted to me is limited and, therefore, I am going to attempt to cover as much ground as quickly as I possibly can.

This country has been in a business recession since June of last year and practically all lines of endeavor have been affected.

I am not going to try to review all of the factors that contributed to these developments but will simply attempt to point out the relation of credit to the general situation.

From September 1927 until October 1929 this country experienced a speculative hysteria that eventually became world-wide in its effects. The Federal Reserve System realized that while this hysteria might be somewhat restrained, it would nevertheless have to run its course, and the principal thing the System could do during the interim was to attempt to keep the reserve banks in such order that when the inevitable collapse should come, the System would be in a position to minimize the effects of the crash and at the same time to use its influence towards inducing member banks also to keep in condition to act promptly and decisively when the need arose. To accomplish this result, the Federal Reserve System persistently resorted to the

powers that it had at its command - to wit: - the discount rate, bill rates, open market operations and direct action. Credit, however, is one of those peculiar instruments which seems to work in opposite directions simultaneously, so that the benefits secured by one operation frequently are counteracted by forces that work in just the opposite direction. During this period the Federal Reserve System attempted in cooperation with the member banks to restrain the growth of speculative credit and at the same time to assure rates of interest for credit used in production and distribution that would not be punitive. These efforts halted the growth in stock exchange loans of member banks, while these banks continued to supply increasing demands from their customers for commercial loans. The demand for speculative credit continued to be so strong, however, and so far exceeded the willingness of the member banks to lend on the exchange, that unusually high rates prevailed in the call loan market for a long period and were an important factor in attracting a large volume of loans from non-banking sources. High call rates, acting either directly or indirectly, affect all other rates, so for a considerable period the high call rates prevailing in New York affected the cost of all credit, not only nationally, but internationally. Money rates were in fact advanced in all principal countries to the disadvantage of business throughout the world. This state of affairs was not only puzzling to the bankers of America, but caused them great concern. That they gave the

matter careful study, and laid definite and positive plans for handling the situation when it should break, is clearly evidenced by the courageous manner in which the bankers did handle the situation, particularly in the larger centers, during that critical week of October 23rd to October 30, 1929, and in my opinion, if they had not acted as quickly and courageously as they did, this country would have witnessed one of the greatest panics it had ever experienced.

There is always an aftermath to such situations and that is what we have been experiencing during the last four or five months. I do not mean to convey the idea that the crash in the stock-market has been the only factor in the recession of production, employment and trade, but that it was an important contributing factor, there can be no question.

Since last October there have been many remedies suggested - some of merit and many without merit. Great stress has been laid upon the importance of credit, and while I am not of that school that believes that credit is a determining factor in such situations, nevertheless, I believe that there is a possibility of its being a contributing factor. That I am not alone in my views is evidenced by the fact that since November of last year every Federal Reserve Bank has initiated a reduction in discount rates - one bank dropping from 6% to 3 1/2% in its discount rate and from 5 3/8% to 3% in its buying rate on acceptances. Since last October, furthermore, the reserve banks have accumulated a large portfolio of Government bonds.

All such actions have been to lend the influence of the Federal Reserve Banks towards easing the price of credit, and I ask you to remember that the initiation of these actions was not confined to any one particular group, in any one locality, but was put in operation by 108 directors of the twelve reserve banks in twelve trade areas comprising the whole of the United States. But the consequences have not been confined to the United States. Central banks in foreign countries which had been obliged to raise their discount rates during 1928 and the larger part of 1929 have since last October seen their way clear to reduce rates again. Discount rates have accordingly been reduced in England, France, Germany, and many other foreign countries, to the advantage of their own people, and since these countries are good customers of the people of the United States easier money abroad is in these circumstances also of advantage to ourselves.

During the past five months the Federal Reserve System has been frequently criticized because it does not always move rapidly enough, but these critics have failed to take into consideration all of the mechanics of regional bank credit, and all that I can say is that I believe the Federal Reserve System has moved, during recent months, as rapidly as the mechanics would permit and I believe as rapidly as the situation has justified. I further realize that there are many people in business that are a bit skeptical of the reality of this program because they have not as yet felt the effects in

their own individual cases, but unless something unforseen develops, I am confident that the easing influence of this program will in time trickle into all forms of credit. In fact, to date I am quite agreeably surprised with the results that have been obtained. There was a time in this country when bankers operating as independent units were interested mainly in high rates, and seldom, if ever, in low rates. However, the experiences of the past ten years have taught a great majority of bankers that active business, with reasonable rates, is far more profitable in the long run, than dull business with high rates. The willingness with which many bankers have modified rates convinces me that they will do their part in the present situation.

I again repeat, however, that credit can only be a contributing factor towards reviving business and restoring it to normalcy. There are many other factors that are perhaps just as important, and many of them more so. The men who are engaged in the business of agriculture, industrial production, and wholesale and retail trade understand that they have opportunities and responsibilities in the matter. They all have their own problems to meet, usually in the face of competition, and I have no doubt they are working hard on these problems. Many of them may feel that they have good reasons of their own for hesitancy. All I can say is that the Federal Reserve Banks have exhibited no hesitancy and that the Federal Reserve System has expressed

itself in an easing program that is clearly evident to everyone. This was not put in operation without overcoming obstacles, and its initiators were not unmindful of unhealthy factors that might develop, but in any event, they have done what they believed best to do under the circumstances, and their future action can only be determined by subsequent developments.

This is a great country, possessed of many advantages and great natural resources, inhabited with people anxious and willing to work, and its credit structure is one that can and will function.

Therefore, it seems to me that others should have more initiative and less hesitancy, and I feel justified in making that appeal to the American people feeling confident that the experience of 1928 and 1929 will be fresh enough in our minds to preclude any immediate recurrence of such speculative hysteria as we had at that time.

X-6546

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

For immediate release. March 20, 1930.

The Federal Reserve Board announces that the Federal Reserve Bank of San Francisco has established a rediscount rate of 4 per cent on all classes of paper of all maturities, effective March 21, 1930.

X-6548

STATEMENT OF BUREAU OF ENGRAVING AND PRINTING

Federal Reserve Notes, 1928.

Month of February 1930.

	$5	$10	$20	$50	$100	Total sheets	Amount
Boston	100,000	100,000	10,000	-	8,000	218,000	$19,511.00
New York	100,000	100,000	-	-	30,000	230,000	20,585.00
Philadelphia	50,000	50,000	-	6,000	17,000	123,000	11,008.50
Cleveland	100,000	-	-	20,000	-	120,000	10,740.00
Richmond	100,000	50,000	25,000	24,000	-	199,000	17,810.50
Chicago	208,000	142,000	150,000	30,000	12,000	542,000	48,509.00
St. Louis	50,000	50,000	20,000	-	-	120,000	10,740.00
Minneapolis	50,000	-	-	-	-	50,000	4,475.00
Kansas City	50,000	3,000	10,000	-	-	63,000	5,638.50
Dallas	-	-	-	5,000	4,000	9,000	805.50
San Francisco	-	-	-	4,000	-	4,000	358.00
	808,000	495,000	215,000	89,000	71,000	1,678,000	$150,181.00

1,678,000 sheets, ... $89.50 per M, $150,181.00

Credit appropriations, 1930, as follows:

Comp. of Emp.,	B.E. & P.	$79,201.60
Plate Printing,	" "	34,197.64
Mtls.& Misc.Exp.,	" "	36,781.76

Bureau of Engraving and Printing

Per C. R. Long
Assistant Director.

COPY X-6550

IN THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE FIFTH CIRCUIT.

No. 5715

WRIGHTSVILLE & TENNILE RAILROAD COMPANY,
Appellant,

Versus

CITIZENS & SOUTHERN NATIONAL BANK, ET AL.,
Appellees.

No. 5689

H. W. WHITMAN, AS RECEIVER OF THE FIRST NATIONAL BANK OF DUBLIN,
Appellant,

Versus

BRAGG, MILLSAPS & BLACKWELL, INC.,
Appellee.

Appeals from the District Court of the United States for the Southern District of Georgia.

A. R. Lawton, Jr., Alexander R. Lawton, R. M. Daley, (Lawton & Cunningham on the brief), for Appellant, in No. 5715.

J. S. Adams, Samuel B. Adams, A. Pratt Adams for Appellees in No. 5715.

Scott Russell, J. S. Adams, (Jones, Jones, Johnston & Russell on the brief), for Appellant in No. 5689.

H. B. Troutman, Walter A. Harris, (Troutman & Troutman; Harris, Harris & Popper on the brief), for Appellee in No. 5689.

Before WALKER, BRYAN and FOSTER, Circuit Judges.

BRYAN, Circuit Judge.

These two suits arose out of the failure of the First National Bank of Dublin, Georgia. The bank failed to open its doors for business on Monday, September 24, 1928, and later during the same day a receiver was appointed by the Comptroller of the Currency.

In No. 5715 the facts were these: On September 21, 1928, the appellant railroad company, having on deposit with the Dublin bank more than $4,000, requested that bank to transmit $4,000 to its deposit account in the Citizens & Southern Bank at Savannah. On the same day, pursuant to that request, the Dublin bank mailed its check for $4,000 to the Savannah bank for credit to the appellant's account. The check reached Savannah the next day, which was Saturday, but the Savannah bank closed its business for that day at noon and did not open the letter containing the check until after nine o'clock on Monday the 24th. Before that letter was opened by it the Savannah bank received a telegram from the Dublin bank reading as follows: "This is to notify you that the First National Bank of Dublin failed to open this morning by order of the directors of said bank," and later during the day, but after banking hours, received another telegram from the bank examiner to stop payment on all outstanding checks of the Dublin bank. It had already withheld payment upon receipt of the first telegram. The Savannah bank, upon demand being made upon it, for payment of the amount represented by the check by both the appellant and the receiver, refused to pay either, but brought a bill

of interpleader, and paid the money into court, which by final decree ordered it paid to the receiver.

In No. 5689 the facts were these: On September 19, 1928, the Dublin bank received for collection a draft drawn by appellee on M. H. Hogan for $4,222.29, which represented the purchase price of two carloads of cattle. Hogan was acting as agent for E. T. Barnes. On September 18 Barnes, who was a director and a depositor of the Dublin bank, but whose account was over-drawn nearly $1,200, in anticipation of the appellee's draft of which he was advised, and in order to provide funds with which to pay it, drew a draft for $6,000, payable to that bank on the Carson Naval Stores Company of Savannah, which the Dublin bank sent for Collection to the Fulton National Bank of Atlanta. The Carson Naval Stores Co. paid Barnes' draft and the proceeds were remitted to the Fulton bank, which received them on September 21, and after the failure applied them on the Dublin bank's indebtedness to it, which was secured by collateral. By the application of the Dublin bank's balance and by the sale by the Fulton bank of a portion of the collateral, the debt of the former to the latter was paid, and there has been turned over to the receiver of the Dublin bank collateral of a value greater than the amount of the appellee's draft. On September 22, the day after payment of Barnes' draft was received by the Fulton bank, the Dublin bank accepted Barnes' check for the amount of the appellee's draft and mailed its own check to appellee for a like amount less exchange, but because of its failure on September 24 that check was not paid.

In No. 5715 it is not shown that the check reached the Savannah bank during banking hours on Saturday, September 22. On the 24th the Savannah bank at about the hour of opening, and before the check in question had come to its attention, was given notice by the Dublin bank that the latter had failed to open for business prusuant to an order of its board of directors. In banking circles this notice could only mean that the Dublin bank had failed, and that its check should not afterwards be paid. The appellant was the payee of the check and could have no right of action upon it against the Savannah bank until the latter had accepted it. Fourth Street Bank v. Yardley, 165 U.S. 634. The check was a mere order for the payment of money and the maker of it had the right to withdraw the order and stop payment at any time before acceptance. Glennan v. Boch, 209 N.Y. 12. It follows that in our opinion the decree in favor of the receiver was correct.

In No. 5689 the situation is much the same as itwas in No. 5659, Pearson, Receiver, v. Summey & Tolson, this day decided, in which it was held that there had been an equitable assignment of the funds of a failed bank, and that such funds belonged to the drawer of a draft who was able to trace and identify it as his. The appellee in this case was successful in showing that the proceeds of his draft at the time of the Dublin bank's failure were in the Fulton National Bank, and that it subsequently came into the hands of the receiver. Those proceeds did not belong to the Dublin bank. Barnes testified that the

purpose of his draft was to supply funds with which to pay appellee's draft. It is true that there is no direct evidence that the Dublin bank treated the proceeds of Barnes draft as a special fund out of which appellee's draft was to be paid; but the circumstances could reasonably lead to no other conclusion. The Dublin bank received appellee's draft, and held it for two days and until Barnes draft had been paid before accepting his check in payment of the draft it held against him.

The judgment in each case is

AFFIRMED.

(ORIGINAL FILED DECEMBER 19th, 1929).

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6551

March 22, 1930.

SUBJECT: Expense, Main Line, Leased Wire System, February, 1930.

Dear Sir:

Enclosed herewith you will find two mimeograph statements, X-6551-a and X-6551-b, covering in detail operations of the main line, Leased Wire System, during the month of February, 1930.

Please credit the amount payable by your bank in the general account, Treasurer, U. S., on your books, and issue C/D Form 1, National Banks, for account of "Salaries and Expenses, Federal Reserve Board, Special Fund", Leased Wire System, sending duplicate C/D to the Federal Reserve Board.

Very truly yours,

Fiscal Agent.

Enclosures.

TO GOVERNORS OF ALL F. R. BANKS EXCEPT CHICAGO.

REPORT SHOWING CLASSIFICATION AND NUMBER OF WORDS TRANSMITTED OVER MAIN LINE OF THE FEDERAL RESERVE LEASED WIRE SYSTEM FOR THE MONTH OF FEBRUARY, 1930.

X-6551-a

From	Business reported by banks	Words sent by New York chargeable to other F. R. Banks (1)	Net Federal Reserve Bank business	Percent of total bank business(*)
Boston	27,472	1,461	28,933	3.32
New York	143,009	-	143,009	16.40
Philadelphia	31,423	1,295	32,718	3.75
Cleveland	78,329	2,716	81,045	9.29
Richmond	50,133	2,614	52,747	6.05
Atlanta	58,055	6,272	64,327	7.38
Chicago	97,480	3,414	100,894	11.57
St. Louis	72,528	3,108	75,636	8.67
Minneapolis	30,985	2,555	33,540	3.85
Kansas City	76,203	1,652	77,855	8.93
Dallas	69,558	9,764	79,322	9.10
San Francisco	98,219	3,729	101,948	11.69
Total	833,394	38,580	871,974	100.00

F. R. Board business 243,883 1,115,857

Treasury Department business - Incoming and Outgoing 228,742

Total words transmitted over main lines 1,344,599

(*) These percentages used in calculating the pro rata share of leased wire expense as shown on the accompanying statement (X-6551-b)

(1) Number of words sent by New York to other F. R. Banks for their sole benefit charged to banks indicated in accordance with action taken at Governors' Conference November 2 - 4, 1925.

REPORT OF EXPENSE MAIN LINE
FEDERAL RESERVE LEASED WIRE SYSTEM, FEBRUARY, 1930.

X-6551-b

Name of Bank	Operators' Salaries	Operators' Overtime	Wire Rental	Total Expenses	Pro Rata Share of Total Expenses	Credits	Payable to Federal Reserve Board
Boston	$ 260.00	$ -	$ -	$ 260.00	$ 648.03	$ 260.00	$ 388.03
New York	1,037.46	-	-	1,037.46	3,201.10	1,037.46	2,163.64
Philadelphia	225.00	-	-	225.00	731.96	225.00	506.96
Cleveland	306.66	-	-	306.66	1,813.31	306.66	1,506.65
Richmond	190.00	-	230.00(&)	420.00	1,180.90	420.00	760.90
Atlanta	270.00	-	-	270.00	1,440.50	270.00	1,170.50
Chicago	4,073.94 (#)	-	-	4,073.94	2,258.34	4,073.94	1,815.60 (*)
St. Louis	205.00	-	-	205.00	1,692.29	205.00	1,487.29
Minneapolis	200.00	-	-	200.00	751.48	200.00	551.48
Kansas City	287.50	-	-	287.50	1,743.04	287.50	1,455.54
Dallas	251.00	-	-	251.00	1,776.22	251.00	1,525.22
San Francisco	380.00	-	-	380.00	2,281.76	380.00	1,901.76
Federal Reserve Board	-	-	15,603.59	15,603.59	-	-	-
Total	$7,686.56	$ -	$15,833.59	$23,520.15	$19,518.93	$7,916.56	$13,417.97
				4,001.22 (a)			1,815.60 (b)
				$19,518.93			$11,602.37

(&) Main line rental, Richmond-Washington.
(#) Includes salaries of Washington operators.
(*) Credit.
(a) Received $4,001.22 from Treasury Department covering business for the month of February, 1930.
(b) Amount reimbursable to Chicago.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6554

March 31, 1930.

SUBJECT: Bank Stock Investments by State Members.

Dear Sir:

Recently there have come to the attention of the Board several instances where former state member banks reapplying for membership in the Federal Reserve System as the result of consolidations, reorganizations, etc., were carrying among their assets stocks in other banks. Also, several institutions admitted to membership under a condition that they would not, except with the approval of the Board, acquire an interest in any other bank or trust company through the purchase of stock in such other bank or trust company, have applied for permission to make such purchases.

The Board is very much interested in ascertaining how general the practice is of state member banks investing in stocks of other banks and trust companies and, accordingly, requests that you have made in your department a survey of this matter, based upon the last reports of examination on file with you, submitting the results of such survey to the Board.

As an incident to this survey, it should also be determined whether any state member bank holding stock in another institution has violated a condition of its membership in the System. Any such case disclosed should be taken up with the member bank in question and the facts reported to the Board.

By Order of the Federal Reserve Board.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

TO ALL FEDERAL RESERVE AGENTS.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6555

March 31, 1930.

SUBJECT: Conversion of Canadian Currency.

Dear Sir:

Under date of November 7 the Board advised you that it had approved the report of the Committee on Canadian Currency, and enclosed with its letter, X-6413, a copy of the Committee's report, also a copy of the letter to be addressed to member banks and of the statement to be released to the press.

On November 15 the Board sent you a telegram modifying somewhat the press statement and the letter to be sent to member banks and on November 16 it advised you that it had voted to postpone the effective date of the plan for the conversion of Canadian currency into U. S. funds.

This matter has again been reviewed and the Board has decided to make the effective date of the plan Tuesday, April 15, 1930. The press statement will be released by the Board at 2 o'clock on that date and it will be appreciated if you will release the statement at the same time at your bank and, if you think advisable, at each of your branches, if any. You may find it advisable to amplify somewhat the letter to be sent to member banks but the Board would suggest that no changes be made in the statement to be given to the press.

Copies of the revised press statement and of the letter to be sent to member banks are attached hereto.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

Enclosures.

TO GOVERNORS OF ALL F. R. BANKS.

X-6555-a

, 1930.

SUBJECT: Canadian Currency.

To Member Bank Addressed:

Enclosed herewith is a statement which the Federal Reserve Board and the Federal reserve banks and branches have given to the press, relating to the conversion into U. S. funds of Canadian paper currency spent in this country.

In accordance with this statement, you may include Canadian paper currency in your shipments of United States currency provided the two kinds of currency are properly segregated within the package.

Credit for such currency will be given for its face value and when the cost of conversion into U. S. funds is determined it will be charged to your reserve account. As brought out in the accompanying press statement, the average cost during the past three years of converting Canadian paper currency into U. S. funds, including both exchange and shipping charges, has averaged less than 1 per cent.

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

For release
Tuesday, April 15, 1930.

SUBJECT: Canadian Currency.

The Federal Reserve Board announces that a plan has been worked out and will be put in operation for handling Canadian currency deposited with Federal reserve banks, at a minimum of the actual collection charges incurred by them.

The discount on Canadian currency brought into the United States by travelers has frequently ranged as high as 10 and sometimes even as high as 20 per cent, at places remote from the border line. This is regarded as excessive and has given rise to some feeling in Canada, especially as United States currency is generally accepted at par in Canada.

The Federal Reserve Board has taken the subject up with the Federal reserve banks and they have agreed to offer their facilities to member banks for the collection and conversion of Canadian paper currency into United States currency at the current rates of exchange. The Federal reserve banks will absorb the cost of shipping Canadian paper currency from the member banks to their respective Federal reserve banks but will deduct an allowance to cover the actual exchange charges, and insurance and shipping charges, if any, from the Federal reserve banks to the points of conversion into United States currency. The average cost during the past three years of converting Canadian paper currency into U. S. funds, including both exchange and shipping charges, has averaged less than 1 per cent.

This method of handling Canadian currency by the Federal reserve banks, will it is hoped, result in substantial reductions in the cost of collecting this currency. The Board feels that if member banks cooperate in this matter by extending a similar service to their customers, Canadian tourists traveling in this country will find American merchants willing to accept Canadian currency at or near par.

FEDERAL RESERVE BOARD

X-6556

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

March 31, 1930.

SUBJECT: Revision of Open Market Procedure.

Dear Sir:

Under date of January 23, 1930, a letter was addressed to each Federal reserve bank advising of adoption by the Board of a revision of the open market procedure made effective in April, 1923. This letter expressed the belief of the Board that the procedure adopted contained the essentials of a workable plan designed to give expression to the common interests of the Federal reserve banks in matters of open market policy and to provide a reasonable and practicable method for joint action. It requested that after each bank had had time to consider the plan its views thereon be forwarded to the Board.

On March 24th and 25th, a meeting was held for the consideration of open market policy attended by representatives of the twelve Federal reserve banks. At the conclusion of the regular business, a thorough discussion was had regarding open market procedure in the light of letters which had been received by the Board from the directors of eleven of the Federal reserve banks. Following this discussion the representatives of the Federal reserve banks, with the Governor of the Federal Reserve Board, were appointed a committee to prepare a further revision of the plan acceptable to them. This revision was then thoroughly discussed by the Board and the representatives of the Federal reserve banks, with the result that some further changes were made.

The revised procedure in its final form, copy of which is attached, was unanimously agreed to by the representatives of the Federal reserve banks. It has since been considered by the Federal Reserve Board and was adopted by the Board without change, to become effective when ratified by the boards of directors of the twelve Federal reserve banks. Please, therefore, submit the matter to the Board of Directors of your bank at its next meeting and advise the Board whether your directors accept participation in the Open Market Policy Conference under the plan as revised.

In the Board's letter of January 23, 1930, it was pointed out that certain working arrangements which might be necessary would best be determined by the conference itself when organized. In this connection, the representatives of the Federal reserve banks at the meeting on March 24th and 25th voted it to be the sense of those present at the meeting that the representative of the Federal Reserve Bank of New York on the Open Market Policy Conference should be elected chairman for one year:

that the Executive Committee, provided for in the procedure, should consist of the chairman and the representatives of the Federal Reserve Banks of Boston, Cleveland, Philadelphia and Chicago for one year; and that the conference adopt a principle of reasonable rotation in the membership of the Executive Committee after the first year.

By order of the Federal Reserve Board.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

TO THE CHAIRMEN OF ALL FEDERAL RESERVE BANKS.

(Enclosure)

(Draft of open market procedure as revised at the meeting of the Federal Reserve Board with representatives of the Federal reserve banks on March 25, 1930, and adopted by the Federal Reserve Board.)

"(1) The Open Market Investment Committee, as at present constituted, is hereby discontinued and a new committee, voluntary in character, to be known as the Open Market Policy Conference, is set up in its place.

(2) The Open Market Policy Conference shall consist of a representative from each Federal Reserve Bank, designated by the Board of Directors of the bank.

(3) The Conference shall meet with the Federal Reserve Board upon the call of the Governor of the Federal Reserve Board or the Chairman of the Executive Committee, after consultation with the Governor of the Federal Reserve Board.

(4) The function of the Open Market Policy Conference shall be to consider, develop and recommend policies and plans with regard to open market operations.

(5) The time, character and volume of purchases and sales shall be governed with the view of accommodating commerce and business and with regard to their bearing upon the credit situation.

(6) The conclusions and/or recommendations of the Open Market Policy Conference, when approved by the Federal Reserve Board, shall be submitted to each Federal reserve bank for determination as to whether it will participate in any purchases or sales recommended; any Federal reserve bank dissenting from the proposed policy shall be expected to acquaint the Federal Reserve Board and the Chairman of the Executive Committee with the reasons for its dissent.

(7) An Executive Committee of five shall be selected from and by the members of the Conference for a term of one year, with full power to act in the execution of the policies adopted by the Open Market Policy Conference and approved by the Federal Reserve Board, and to hold meetings with the Board as frequently as may be desirable.

(8) Each Federal Reserve Bank participating in the Open Market Policy Conference shall be considered as waiving none of its rights under the Federal Reserve Act; each Federal Reserve Bank shall have the right at its option to retire as a member of the Open Market Policy Conference, but each bank while a member of the Conference shall respect its Conference obligations."

X-6560

STATEMENT OF BUREAU OF ENGRAVING AND PRINTING

Federal Reserve Notes, Series 1928.

Month of March, 1930.

	$5	$10	$20	$50	$100	$500	$1000	$5000	$10000
Boston	120,000	150,000	-	-	-	-	--	- -	- -
New York	220,000	150,000	120,000	86,000	28,000	-	-	-	-
Philadelphia	80,000	50,000	-	45,000	-	300	100	-	-
Cleveland	100,000	40,000	50,000	25,000	22,000	-	-	-	-
Richmond	75,000	-	30,000	-	13,000	-	-	-	-
Atlanta	40,000	20,000	15,000	5,000	20,000	-	-	-	-
Chicago	667,000	338,000	160,000	20,000	42,000	-	-	70	-
St. Louis	26,000	20,000	16,000	12,000	3,000	-	-	-	-
Minneapolis	25,000	15,000	18,000	1,000	2,000	-	-	-	-
Kansas City	80,000	-	-	7,000	5,000	100	100	-	-
Dallas	40,000	30,000	20,000	-	-	200	200	20	20
San Francisco	60,000	60,000	36,000	11,000	17,000	-	-	-	-
Totals,	1,533,000	873,000	465,000	212,000	152,000	600	400	90	20

	Total sheets	Amount
Boston	270,000	$24,165.00
New York	604,000	54,058.00
Philadelphia	175,400	15,698.30
Cleveland	237,000	21,211.50
Richmond	118,000	10,561.00
Atlanta	100,000	8,950.00
Chicago	1,227,070	109,822.77
St. Louis	77,000	6,891.50
Minneapolis	61,000	5,459.50
Kansas City	92,200	8,251.90
Dallas	90,440	8,094.38
San Francisco	184,000	16,468.00
Totals,	3,236,110	$289,631.85

3,236,110 sheets @ $89.50 per M, . . . $289,631.85

Credit appropriations, 1930, as follows:

Comp. of Emp., B.E.& P.	$152,744.39
Plate Printing, B.E. & P.	65,951.92
Mtls.& Misc.Exp.B.E.& P.	70,935.54

Bureau of Engraving and Printing,

C. R. Long, Assistant Director.

X-6562

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

For immediate release. April 7, 1930.

Statement of R. A. Young, Governor of the Federal Reserve Board.

Governor Harding was head of the Federal Reserve System during the difficult formative and war periods, and his hard work, constructive thought and perseverance contributed greatly to its present successful operation.

Since I have been a member of the Federal Reserve Board I have frequently sought the benefit of his experience and counsel, much to my advantage and profit.

Governor Harding was a conscientious public servant in every way and those of us that were closely associated with him had the greatest respect for his ability and courage.

We are all grieved because of his death, and feel that the System has lost a valuable member.

X-6563

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

For release at 5 P. M. April 7, 1930.

The Federal Reserve Board announces that the Federal Reserve Bank of Dallas has established a rediscount rate of 4% on all classes of paper of all maturities, effective April 8, 1930.

X-6566

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

For immediate release. April 10, 1930.

The Federal Reserve Board announces that the Federal Reserve Bank of Richmond has established a rediscount rate of 4% on all classes of paper of all maturities, effective April 11, 1930.

X-6567

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

For release at 3 P. M. April 11, 1930.

The Federal Reserve Board announces that the Federal Reserve Bank of St. Louis has established a rediscount rate of 4% on all classes of paper of all maturities, effective April 12, 1930.

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

For release at 3:00 P. M. April 11, 1930.

The Federal Reserve Board announces that the Federal Reserve Bank of Atlanta has established a rediscount rate of 4% on all classes of paper of all maturities, effective April 12, 1930.

X-6569

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

For release at 4:00 p. m. April 14, 1930.

The Federal Reserve Board announces that the Federal Reserve Bank of Minneapolis has established a rediscount rate of 4 % on all classes of paper of all maturities, effective April 15, 1930.

COPY

X-6570

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Apr. 15, 1930.

Federal Reserve Board

Status of legislation recommended by the Board.

Mr. Wyatt-General Counsel.

I respectfully submit the following report as to the status at the close of business on April 14th of certain legislation which the Federal Reserve Board has recommended to Congress:

1. An amendment to Section 9 of the Federal Reserve Act to permit State banks to establish foreign branches. - S. 2605 passed the Senate without amendment on April 14th; and I am informed that there will be no opposition in the House Committee on Banking and Currency, which takes the position that it is merely intended to correct a mistake made by the Senate in revising the branch bank provisions of the McFadden Bill. It might be advisable, however, to call the matter again to the attention of Mr. McFadden.

2. An amendment to Sections 6 and 9 of the Federal Reserve Act permitting cancellation of Federal reserve bank stock held by member banks which have gone out of business without a receiver or liquidating agent having been appointed therefor. - H.R. 6604, which is the bill submitted by the Board with slight amendments, passed the House on February 19th; and S. 2666, which is a bill exactly as recommended by the Board, passed the Senate on April 1st. It will be necessary either for the House to adopt the Senate Bill or have the Senate adopt the House Bill before this proposed amendment becomes law; and on April 3rd Mr. Platt wrote a letter to Mr. McFadden suggesting that the House adopt the Senate Bill in order to expedite final action. He had previously written a letter to Senator Norbeck suggesting that the House Bill be substituted for the Senate Bill in order to expedite final action. Mr. Thompson advises me that he is informed that the Senate will withdraw its bill and adopt the House Bill instead.

3. An amendment making it discretionary with the Federal Reserve Board to assess the costs of examining State member banks against the bank examined. - S. 485, the Senate Bill for this purpose, passed the Senate on April 14th and will be referred to the Banking and Currency Committee of the House within the next day or two. A similar bill passed the Senate during the last session, however, and was never reported out by the Banking and Currency Committee of the House of Representatives. I have taken the matter up informally with Mr. Platt and I understand that he will take the matter up with the House Banking and Currency Committee to see if this bill can be reported out in time to be voted upon at this session of Congress.

4. An amendment to Section 9 of the Federal Reserve Act authorizing

the Federal Reserve Board to waive the six months notice of intended withdrawal of a State member bank from the Federal Reserve System. - H.R. 8877 passed the House on April 3rd and passed the Senate on April 14th. It should be ready for the President's signature within the next two or three days.

5. An amendment to Section 4 of the Federal Reserve Act to permit an officer, director or employee of a mutual savings bank to serve as a Class B director of a Federal Reserve Bank. - S. 4079 passed the Senate on April 14th and will be referred to the House Banking and Currency Committee within the next day or two.

6. An amendment exempting Federal reserve banks from attachment or garnishment proceedings before final judgment in any case or proceeding. - Bills for this purpose (H.R. 10035 and S. 3626) have been introduced but neither bill has been reported out.

7. An amendment to the judicial code restoring to the United States District Courts jurisdiction of suits by and against Federal reserve banks. - This amendment was recommended in the Board's Annual Reports for the years 1927 and 1928 and is again being recommended in the Annual Report for 1929, but the Board has never addressed letters on this subject to the Chairmen of any of the Committees of Congress. I mentioned the matter informally in a social conversation with Honorable Hatton W. Summers, ranking Democrat of the House Judiciary Committee, and he told me that he thought the bill would receive favorable action if it were introduced.

8. An amendment to Section 13 of the Federal Reserve Act increasing from 15 to 90 days the maximum maturity of advances made by Federal reserve banks to member banks on their promissory notes secured by paper eligible for rediscount by Federal reserve banks and making debentures of Federal intermediate credit banks eligible as collateral security to 15-day notes. - S. 4139, introduced by Senator Baird on April 10, 1930, and not yet reported out. No corresponding bill introduced in the House at this session.

9. Bill to amend Section 4 so as to clarify meaning of phrase "electors voting" in provision re elections of Federal reserve bank directors.- Bills for this purpose (H.R. 10249 and S. 4096) have been introduced in both houses of Congress but neither bill has yet been reported out.

10. An amendment to the fourth paragraph of Section 13 of the Federal Reserve Act making the limitations prescribed by that paragraph

conform to Section 5200 of the Revised Statutes as amended by the McFadden Act. - H.R. 9046 has passed both Houses of Congress and was signed by the President on April 12. It is now law and is known as Public Act No. 120.

11. An amendment to Section 22(a) of the Federal Reserve Act making it clear that the prohibition against examiners accepting loans and gratuities from member banks applies to State examiners. - S. 3541 passed Senate April 14 and will be referred to House Banking and Currency Committee within next day or two. A similar bill, H.R. 10070, has been introduced in House, but not yet reported out.

12. An amendment to make the robbery or burglary of a member bank a Federal offense punishable through the Federal courts. - Bills for this purpose (H.R. 10067 and S. 4080) have been introduced in both Houses, but neither bill has been reported out.

13. Bill authorizing voluntary surrender of trust powers by national banks. - S. 3627 passed Senate April 14 and will be referred to House Banking and Currency Committee within next day or two. A similar bill, H. R. 10036, was introduced in House February 18, but has not yet been reported out.

14. Resolution authorizing construction of building for Pittsburgh branch. - H.J. Res. 227, signed by President, April 12.

CONCLUSION

For the sake of brevity this memorandum omits all detailed information as to the character of these bills. That information, however, will be gladly supplied by this office to any member of the Board desiring it. This office will also be glad to draft any further letters or take any other steps which the Board desires to have taken with respect to these bills or any other bills.

Respectfully,

(Signed) Walter Wyatt,
General Counsel.

WW:vdb

FEDERAL RESERVE BOARD

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WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6571

April 16, 1930.

SUBJECT: Holidays during May, 1930.

Dear Sir:

The Federal reserve banks and branches listed below will be closed on account of holidays on the dates specified, and therefore will not participate in either the Gold Settlement Fund or the Federal reserve note clearing:

Saturday	May 10	Charlotte	Confederate Memorial Day
Friday	May 16	Portland	Primary Election Day
Tuesday	May 20	Charlotte	Mecklenburg Independence Day
Tuesday	May 20	Havana Agency	Cuban Independence Day

On Friday, May 30th, Memorial Day, there will be neither Gold Settlement Fund nor Federal reserve note clearing and the books of the Board will be closed. The offices of the Board and all Federal reserve banks and branches, with the exception of the following, will be closed on that day: Charlotte, Atlanta, New Orleans, Birmingham, Little Rock and Havana Agency.

Credits of May 10th and 20th for Charlotte Branch and of May 16th for Portland may be included with those of the following business days in the Gold Fund clearing.

Please notify branches.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6572

April 16, 1930.

SUBJECT: Changes in Inter-district Time Schedule.

Dear Sir:

Upon agreement between the Federal reserve banks involved, the Federal Reserve Board has approved the following changes in the inter-district time schedule:

From Helena to St. Louis	From 4 days to 3 days.
From Helena to Los Angeles	From 4 days to 3 days.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6574

April 18, 1930.

SUBJECT: Daylight Saving Schedule, 1930.

Dear Sir:

Beginning Monday, April 28th, and ending Saturday, September 27th, the following Federal Reserve Banks and branches will operate under daylight saving schedule:

Boston	Philadelphia	Chicago
New York	Pittsburgh	
Buffalo		
	Baltimore	

The Federal Reserve Branch Banks listed below will observe special banking hours:

Helena Branch from May 1st to August 30th, inclusive, 9:30 a.m. to 2:00 p.m., except Saturday, when the hours will be 9:00 a.m. to 12:00 noon, mountain time.

Salt Lake City Branch from May 1st to September 30th, inclusive, 9:00 a.m. to 2:00 p.m., except Saturday, when banking hours will be 9:00 a.m. to 12:00 noon, mountain time.

Please notify branches.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

FEDERAL RESERVE BOARD

WASHINGTON

X-6576

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

April 19, 1930.

Dear Sir:

Money market and related developments since the last meeting of the Open Market Policy Conference March 24-25 have been such as to lead to some thought here, as elsewhere, that the relation of the Federal Reserve System to current trends should be reviewed with a view of determining whether the System's position should be readjusted; and, more particularly, whether the System portfolio of Governments should be maintained at its existing level.

With these considerations in mind, I am writing to ask whether you think a meeting in the near future is desirable, and whether it would be convenient for you to attend, if the meeting were called for Monday, May 5th. It is realized that not all members of the Conference may find it convenient to attend, especially those living at a distance; and the fact that two meetings of the Conference have already been held this year is not overlooked by the Board.

A written statement of views would be appreciated by the Board from any bank not participating in the meeting of the Conference, should it be called.

Very truly yours,

R. A. Young,
Governor.

TO ALL GOVERNORS.

FEDERAL RESERVE BOARD

404

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6579

April 26, 1930.

SUBJECT: Expense, Main Line, Leased Wire System, March, 1930.

Dear Sir:

Enclosed herewith you will find two mimeograph statements, X-6579-a and X-6579-b, covering in detail operations of the main line, Leased Wire System, during the month of March, 1930.

Please credit the amount payable by your bank in the general account, Treasurer, U. S., on your books, and issue C/D Form 1, National Banks, for account of "Salaries and Expenses, Federal Reserve Board, Special Fund", Leased Wire System, sending duplicate C/D to the Federal Reserve Board.

Very truly yours,

Fiscal Agent.

Enclosures.

TO GOVERNORS OF ALL F. R. BANKS EXCEPT CHICAGO.

REPORT SHOWING CLASSIFICATION AND NUMBER OF WORDS TRANSMITTED OVER MAIN LINE OF THE FEDERAL RESERVE LEASED WIRE SYSTEM FOR THE MONTH OF MARCH, 1930.

From	Business reported by banks	Words sent by New York chargeable to other F. R. Banks (1)	Net Federal Reserve Bank business	Percent of total bank business(*)
Boston	30,422	2,207	32,629	3.28
New York	165,121	-	165,121	16.58
Philadelphia	35,163	2,334	37,497	3.77
Cleveland	87,034	3,073	90,107	9.05
Richmond	57,961	2,932	60,893	6.12
Atlanta	65,435	6,710	72,145	7.25
Chicago	119,222	3,425	122,647	12.32
St. Louis	83,374	3,149	86,523	8.69
Minneapolis	35,172	3,210	38,382	3.85
Kansas City	84,539	3,024	87,563	8.79
Dallas	70,111	9,953	80,064	8.04
San Francisco	117,403	4,660	122,063	12.26
Total	950,957	44,677	995,634	100.00

F. R. Board business	273,572	1,269,206
Treasury Department business - Incoming and Outgoing		302,893
Total words transmitted over main lines		1,572,099

(*) These percentages used in calculating the pro rata share of leased wire expense as shown on the accompanying statement (X-6579-b)

(1) Number of words sent by New York to other F. R. Banks for their sole benefit charged to banks indicated in accordance with action taken at Governors' Conference November 2 - 4, 1925.

REPORT OF EXPENSE MAIN LINE
FEDERAL RESERVE LEASED WIRE SYSTEM, MARCH, 1930.

Name of bank	Operators' Salaries	Operators' Overtime	Wire Rental	Total Expenses	Pro Rata Share of Total Expenses	Credits	Payable to Federal Reserve Board
Boston	$ 260.00	$ -	$ -	$ 260.00	$ 623.49	$ 260.00	$ 363.49
New York	1,037.46	-	-	1,037.46	3,151.68	1,037.46	2,114.22
Philadelphia	225.00	-	-	225.00	716.64	225.00	491.64
Cleveland	306.66	-	-	306.66	1,720.31	306.66	1,413.65
Richmond	190.00	-	230.00(&)	420.00	1,163.35	420.00	743.35
Atlanta	270.00	-	-	270.00	1,378.15	270.00	1,108.15
Chicago	4,053.35 (#)	-	-	4,053.35	2,341.90	4,053.35	1,711.45 (*)
St. Louis	195.00	2.00	-	197.00	1,651.87	197.00	1,454.87
Minneapolis	200.00	-	-	200.00	731.84	200.00	531.84
Kansas City	287.50	-	-	287.50	1,670.88	287.50	1,383.38
Dallas	251.00	-	-	251.00	1,528.32	251.00	1,277.32
San Francisco	380.00	-	-	380.00	2,330.49	380.00	1,950.49
Federal Reserve Board	-	-	15,657.39	15,657.39	-	-	-
Total	$7,655.97	$ 2.00	$ 15,887.39	$23,545.36	$19,008.92	$7,887.97	$12,832.40
				4,536.44(a)			1,711.45 (b)
				$19,008.92			$11,120.95

(&) Main line rental, Richmond-Washington.
(#) Includes salaries of Washington operators.
(*) Credit.
(a) Received $4,536.44 from Treasury Department covering business for the month of March, 1930.
(b) Amount reimbursable to Chicago.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6580

April 30, 1930.

SUBJECT: Committee on Group, Chain and Branch Banking.

Dear Sir:

Reference is made to the Board's telegram of April 24th, advising that because of the close relationship of its committee on group, chain, and branch banking to the banks' committee on member bank reserves, the Federal Reserve Board had voted, subject to the approval of the Federal reserve banks, to change the former from a Board to a bank committee.

Replies have now been received from all of the reserve banks approving the change, and, accordingly, the Board has now voted to make the transfer effective May 1, 1930. It is understood that the status of the committee will be the same as that of the bank committee on member bank reserves, and that its expenses will be borne pro rata by the Federal reserve banks under an arrangement similar to that determined on for the committee on reserves.

Very truly yours,

R. A. Young,
Governor.

TO Governors of all F. R. Banks except New York.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6582

April 30, 1930.

SUBJECT: Uniform Plan of Designation of Officers to Vote in Elections of Class A and Class B Directors.

Dear Sir:

The Conference of Federal Reserve Agents in December, 1929, adopted, subject to the approval of the Federal Reserve Board, a uniform plan of designation by member banks of officers to vote in elections of Class A and Class B directors of Federal reserve banks, under which several officers of the bank would be designated by title only and not by name. The resolution as adopted by the Conference of Federal Reserve Agents is as follows:

"Whereas, it has been brought to the attention of the Federal Reserve Agents at their present conference that that part of Section 4 of the Federal Reserve Act which provides for the designation of an officer to cast the ballot of a member bank in the elections of Class A and Class B directors has not been uniformly construed and interpreted by the various Federal Reserve Agents in their respective districts, and

"Whereas, in many instances the designation is made by name, and not by title, lodging the authority in a single officer of a member bank, in the event of whose promotion, absence, illness, death or resignation from office there is no one authorized to cast the ballot, until another designation is made by resolution of the board of directors or change in the by-laws, and

"Whereas, if a designation should be made by title for the casting of such ballot, it would obviate all uncertainty and such designation would remain continuous until revoked by action of the board of directors,

"Now, therefore, be it resolved, that this conference adopt, confirm and ratify, subject to the approval of the Federal Reserve Board, a uniform plan of designation, the same to be adopted by each member bank in the System by a resolution of its board of directors or by an amendment to its by-laws, which shall authorize the chairman of its board, its president, or any one of

its vice presidents or its cashier, to cast the vote of the member bank in the elections of Class A and Class B directors.

"Be it further resolved, that a uniform resolution be prepared by a committee duly appointed for that purpose by the Chairman of the Agents' Conference, at the earliest date, and that a copy of such resolution be given to each Federal Reserve Agent to send to each member bank in his district for adoption by its board of directors at the annual meeting of such bank, in order that a complete file may be made up by the Agent in his office as and when same is adopted by the member bank."

The proposed uniform plan of designation of voting officers was the subject of comment in the Board's letter of February 12, 1930 (X-6507) and the views of the Federal reserve agents on the questions raised were requested.

After a careful consideration of the proposed plan in the light of the opinions expressed by the Federal reserve agents in reply to the Board's letter of February 12th, the Federal Reserve Board has voted to approve the uniform plan of designation of officers to vote in elections of Class A and Class B directors, as proposed by the Federal reserve agents in their resolution set out above. There is enclosed herewith a suggested form for the designation of officers by member banks for voting purposes in accordance with this plan. The suggested form provides for the authorization of the chairman of the board of directors, president, vice president, or cashier of the member bank and also for the authorization of some other officer if desired. Spaces are provided for the insertion of the signatures of such officers as are designated. In the event that it is found necessary to make any material changes in the form enclosed herewith, please furnish the Board with a copy of the form finally adopted.

By Order of the Federal Reserve Board.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

Enclosure.

TO ALL FEDERAL RESERVE AGENTS.

DESIGNATION OF OFFICER AUTHORIZED TO CAST VOTE OF MEMBER BANK.

FEDERAL RESERVE BANK OF _____

District No. ____ Group No. ____

At a meeting of the board of directors of the _____
(Name and loca-

_____ duly called and held on the _____ day of
tion of bank)

_____, 193_, on motion duly made and seconded, it was

"RESOLVED, That the Chairman of the board of directors, president, vice president, or cashier of this bank, or _____
(if designation of some officer not included in those mentioned is desired, insert his title here)

_____ of this bank, be and any one of them is hereby authorized, empowered and directed to cast the vote of this bank for Class A and Class B directors of the Federal Reserve Bank of _____, in accordance with the provisions of Section 4 of the Federal Reserve Act, as amended.

"RESOLVED FURTHER, That the authority hereby granted shall continue in force until revoked by the directors of this bank and that such authority heretofore conferred on any officer of this bank is hereby revoked."

Signatures of officers authorized to cast vote of bank

_____ _____

_____ _____

_____ _____

I hereby certify that the foregoing is a true and correct copy of a resolution of the board of directors of this bank, duly adopted on the date specified. I further certify that the foregoing signatures are the signatures of the individuals who on this date are the officers

of this bank designated in the above resolution, under the authority of which any one of such officers may cast the vote of this bank.

Dated the _____ day of _____, 193__.

_____
(To be signed by officer other than any officer authorized to cast vote of bank)

_____
(Title)

(AFFIX SEAL)

TO CHAIRMAN OF THE BOARD,

FEDERAL RESERVE BANK OF _____.

X-6583

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

For release at 2:30 P. M. May 1, 1930

The Federal Reserve Board announces that the Federal Reserve Bank of New York has established a rediscount rate of 3 per cent on all classes of paper of all maturities, effective May 2, 1930.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6584

May 6, 1930.

Dear Sir:

There are enclosed herewith for your information copies of the following recent amendments to the Federal Reserve Act:

Act of April 12, 1930, amending the fourth paragraph of section 13 of the Federal Reserve Act so as to make the limitations upon the rediscount of the paper of one borrower conform more closely to the limitations on loans by national banks to one borrower as provided in section 5200 of the Revised Statutes;

Act of April 17, 1930, amending section 9 of the Federal Reserve Act so as to authorize the Federal Reserve Board to waive the six months' notice required of State member banks withdrawing from the Federal Reserve System;

Act of April 23, 1930, amending sections 6 and 9 of the Federal Reserve Act and designed to facilitate the cancellation of Federal reserve bank stock in those cases where member banks have discontinued their banking operations without a receiver or liquidating agent having been appointed therefor.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

Enclosures

TO ALL GOVERNORS AND
FEDERAL RESERVE AGENTS.

X-6585

For release - Morning papers
May 8, 1930.

Address by R. A. Young

Governor, Federal Reserve Board

Before the Executive Council,

American Bankers' Association

Old Point Comfort, Virginia

May 7, 1930.

The selection of a topic for a talk before this body was somewhat perplexing, but after I arrived at Old Point Comfort and renewed acquaintenanceship with so many of my old friends a topic seemed to suggest itself.

I am speaking tonight before those who properly may be regarded as the key-bankers of America. When I speak of key-bankers, my mind reaches somewhat beyond the traditional money making banker - to the banker who, while keeping his own house in order, has been compelled, because of the actions of his neighbor - his customers - his correspondent - or the unusual conditions that, at intervals develop in banking, commerce, agriculture, and other industries, to forget, on occasions, the question of immediate profits to use his resources and efforts towards adjusting situations that have not been of his making. Realizing how many of this type are in this audience, and knowing that I can speak to you with frankness and without feeling that you will carry away the impression that I am lecturing or sermonizing, I shall pass on to you some observations that are suggested by my experiences in the Reserve System.

Events of last autumn are still close enough to be fresh in our minds and yet they are now distant enough to make it possible to appraise them and to draw lessons from them for our future guidance. During the market break and the disorganized conditions that prevailed in the last week of October and the first half of November, the great commercial banks and the Federal reserve system acted in a manner of which we have just cause to be proud. An unprecedented drop in security prices and a gigantic withdrawal of funds from the market by out-of-town and nonbanking lenders occurred, and the member banks stepped in courageously and promptly to take over the burden occasioned by these withdrawals, while the Federal reserve system stood by the banks, both by discounting paper freely and by placing large sums in the market through the purchase of securities. A panic and a collapse of our credit machinery was averted.

Not only did our banking system rise to the occasion when panic threatened, but the key member banks showed foresight in preparing for this possible development by putting their house in order many months in advance through using their influence to curb the growth in the volume of credit used in the security market. Brokers' loans and total security loans of New York City banks in the middle of last October were actually smaller than a year earlier, and their ability to take care of the situation was in no small measure due to the fact that they had refrained from participation in the enormous growth of security loans that occurred in 1928 and 1929, notwithstanding the attractiveness of the returns and the essential safety of the loans. The Federal reserve system, for its part, pursued for two years a policy of firm money, expressed in higher rates, in sales in the open market, and in exerting its influence against improper uses of Federal reserve facilities.

We can, therefore, congratulate ourselves on at least a part of our activity during the period preceding the market break, during the break itself, and the subsequent readjustment. And yet there is food for serious thought in the fact that, under our excellent banking system and with our unexcelled financial strength, we nevertheless came to the brink of a collapse, had to resort to heroic action to prevent a panic, and were not able to avert a period of violent disorganization followed by severe liquidation and what appears to be a business depression. Is this unavoidable? Is it necessary for this country to go through periods of reckless exuberance, accompanied by enormous credit expansion and by fantastic levels of money rates that profoundly disturb the financial and business structure not only here but all over the world? And to have these periods culminate in abrupt reversals, violent liquidation, and a feeling of discouragement and depression? If all this is inevitable, it is very regrettable, for the cost of these excesses is borne throughout the land, with echoes across the ocean, in languishing enterprise, in unemployment, and in general depression.

We are no longer an isolated young country, with unlimited resources, but with no important influence on world affairs. On the contrary, we are in the very center of the world picture and our prosperity or depression is a matter of grave concern throughout the world. We have two-fifths of the world's stock of monetary gold, we have financial claims on the rest of the world larger than any nation ever had, and we have a market for equities in enterprises, which for breadth, volume of operations, as well as violence of movement has no equal in the world.

As bankers, we cannot but feel the heavy responsibility which this preeminence places on our shoulders. I am a banker by profession. For years I was a commercial banker, for a decade I was a reserve banker in an agricultural community, and now for two years and a half I have been connected with the central supervisory and coordinating body of our banking system. In short, I am no outsider, but one of you, and I should not invite your attention to matters that I myself, as a banker, would not care to consider, nor suggest any course of action that I myself, were I a commercial banker, would not care to follow.

One weakness in our banking structure arises, paradoxically enough, from its very strength. Because we are strong and have great resources, because we have ample gold reserves, and because we have a Federal reserve system that stands ready to help us in emergencies, we are a little inclined to depend on our ultimate power to pull ourselves out of difficulties, and not to exert our utmost efforts to avoid these difficulties. Prior to the establishment of the Federal reserve system the great metropolitan banks were the last resort of the country's banking system; on them rested the ultimate responsibility for avoiding catastrophe, and though these banks were not always able to avoid it, they were never entirely free from the feeling that it was their duty to so conduct their own affairs as not to endanger the financial fabric of the country. I fear that to some extent this feeling of joint responsibility has relaxed as the result in part of confidence that the Federal reserve system is ready to stand by in the hour of need. The banks still feel the responsibility to their stockholders and to their depositors, but when it comes to responsibility to the country at large there is a tendency to let George do it. And yet I am convinced that to an increasing, rather than a diminishing, extent the great key banks have a general

public responsibility, less direct but no less binding than their duty to their own depositors and proprietors.

A bank may know that its security loans are perfectly safe and can be liquidated at any time, and yet it may recognize that too rapid growth in these loans endangers the stability of the nation's business. The bank itself may not be extending loans to the market for its own account, but it may be the agent for correspondents, banks and others, who may be pouring funds in dangerous volume into the market. A bank may not be indebted to the reserve bank except occasionally and for short periods at a time, but it may be a purchaser of Federal funds from other banks, and may be aware that in the aggregate there is a diversion of reserve bank credit to speculative uses. Let such a bank remember that brokers' loans, and security loans in general, are safe only because there is an instant market for the collateral, that large sales of the collateral, though they may not impair the solvency of a particular bank, result in a drop in the value of the collateral back of more than one-half of the bank credit outstanding in this country, and that there is no telling when such a drop may terminate and what catastrophe may follow in its wake. Let such a bank remember also that the resources of the Federal reserve system are not inexhaustible; that another three weeks like those that occurred last autumn may come at a time when these resources will be more nearly used up, and that absolute security and confidence can be obtained only by so conducting the financial affairs of the nation as to prevent violent expansions and contractions rather than merely to alleviate their consequences. One should not neglect to build a fire-proof structure, nor to take precautions against careless handling

of inflammable material merely because one has ample fire insurance and effective fire-fighting apparatus. One should not expose oneself and one's neighbors to the dangers of a virulent bacillus simply because one has a trusty antitoxin.

In practical and concrete language this means that we bankers have a responsibility beyond our own balance sheets for the general course of events; that we must look beyond the safety of the collateral offered us for a loan to the safety of the aggregate volume of collateral that we know is being offered for loans at all the banks; that when we see an unhealthy development getting under way we must not only protect our own immediate institution, but must take a broader view and act with reference to the interests of the entire community. And this is not philanthrophy, nor even public spirit, though we can well afford to cultivate a public spirit, but merely enlightened self-interest. When a collapse occurs we all suffer in loss of business, even though we may not have to write off large losses on account of bad loans. The banker profits from general prosperity and suffers from general depression, and he can, therefore, reconcile a course of action taken with a view to the preservation of general business stability with the most hard-boiled attitude toward life, that some of us like to boast of in public.

In other countries, where banking development has been longer, and banking concentration has proceeded farther, certain methods of control have been developed. A customer in England is not granted unlimited credit on the basis of security offered as collateral; he is granted a line of credit in accordance with his credit standing and the requirements of his business,

and he cannot easily exceed that line no matter how much collateral he may be able to present. I am not prepared to recommend to you this or any other specific course of action, but I do feel justified in calling your attention to our joint responsibilities and to suggest that what we need is cooperative action in the development of sound banking tradition, which alone will give assurance to the country of a lasting stability of its financial organization.

The Federal Reserve System does not consist entirely of a Board at Washington and twelve regional Banks. It consists of these and the member banks. Its greatest success depends upon the cooperation of all these units and upon the understanding and sympathetic support of non-member banks. The system rests primarily upon cooperation. Its most far-seeing and important policies can be largely nullified by lack of cooperation. Its practices and judgment in matters that arise from time to time can best be coordinated by the counsel and support of its constituent elements, on the basis not of banker thought alone, but also the combined judgment of the skilled elements of the entire business community. As the system offers cooperation, so, too, does it seek cooperation. From bankers it seeks and requires cooperation in unstinted measure.

Early in my statement, I said that I believed you would not interpret my remarks as lecturing or sermonizing, and I am confident that you have not so interpreted them. But why should I deliver this kind of talk to you at this time? Simply because I believe that when our banking machinery develops faults, they can be corrected from within the profession far better than from without, and it is the duty of the profession to correct them.

In conclusion, I renew my pledge of cooperation, confident of the generous support of my associates, to all professional developments, sponsored

by the American Bankers Association, that will elevate the standards of banking, contribute to the self regulation of our principal credit agencies, prevent widespread abuses of credit, assist in stabilizing the productive and distributive processes of American business, and otherwise further the general welfare of business in the interest of the public which we, especially, as men in banking institutions must seek to serve.

X-6586

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

For release at 2:15 p. m. May 7, 1930

The Federal Reserve Board announces that the Federal Reserve Bank of Boston has established a rediscount rate of 3 1/2% on all classes of paper of all maturities, effective May 8, 1930.

X-6588

STATEMENT OF BUREAU OF ENGRAVING AND PRINTING

Federal Reserve Notes, Series 1928,

Month of April, 1930.

	$5	$10	$20	Total Sheets	Amount
Boston	100,000	128,000	19,000	247,000	$22,106.50
New York	182,000	126,000	125,000	433,000	38,753.50
Philadelphia	85,000	54,000	36,000	175,000	15,662.50
Cleveland	80,000	60,000	60,000	200,000	17,900.00
Richmond	60,000	21,000	30,000	111,000	9,934.50
Atlanta	60,000	28,000	24,000	112,000	10,024.00
Chicago	340,000	158,000	120,000	618,000	55,311.00
St. Louis	30,000	13,000	12,000	55,000	4,922.50
Minneapolis	23,000	24,000	16,000	63,000	5,638.50
Kansas City	90,000	- - -	- - -	90,000	8,055.00
Dallas	40,000	24,000	16,000	80,000	7,160.00
San Francisco	87,000	60,000	60,000	207,000	18,526.50
	1,177,000	696,000	518,000	2,391,000	213,994.50

2,391,000 sheets @ $89.50 per M. $213,994.50

Credit appropriations, 1930, as follows:

Comp. of Emp.,	B.E.& P.	$112,855.20
Plate Printing,	B.E.& P.	48,728.58
Mtls. & Misc. Exp.,	B.E.& P.	52,410.72

Bureau of Engraving and Printing

C. R. Long, Assistant Director.

X-6589

STATEMENT OF BUREAU OF ENGRAVING AND PRINTING

For establishing a working reserve stock of Federal Reserve Notes, Series 1928, in process, as per authority of the Undersecretary of the Treasury, dated December 21, 1929, as per statement below.

BACKS

	$5	$10	$20	$50	$100	Total	Amount
Boston	- - -	53,910	38,000	3,500	7,500	102,910	$3,690.35
New York	122,000	152,500	152,000	40,500	40,500	507,500	18,198.95
Philadelphia	61,500	67,000	45,000	27,000	7,500	208,000	7,458.88
Cleveland	50,000	49,000	78,500	19,500	10,000	207,000	7,423.02
Richmond	- - -	- - -	35,528	12,500	6,000	54,028	1,937.45
Atlanta	25,000	26,000	27,000	2,000	5,000	85,000	3,048.10
Chicago	105,000	115,000	125,000	31,500	26,000	402,500	14,433.65
St. Louis	16,000	19,000	16,000	2,500	2,500	56,000	2,008.16
Minneapolis	18,000	17,500	19,000	1,000	1,000	56,500	2,026.09
Kansas City	24,500	15,000	18,500	2,000	4,000	64,000	2,295.04
Dallas	23,500	25,000	19,500	1,000	1,000	70,000	2,510.20
San Francisco	- - -	2,313	54,500	6,000	9,500	72,313	2,593.14
	445,500	542,223	628,528	149,000	120,500	1,885,751	$67,623.03

1,885,751 sheets @ $35.86 per M, ...$67,623.03

X-6589-a

BACKS AND FACES

	$5	$10	$20	$50	$100	Total	Amount
Boston	- - -	53,910	38,000	3,500	7,500	102,910	8,016.69
New York	122,000	152,500	152,000	40,500	40,500	507,500	39,534.25
Philadelphia	61,500	67,000	45,000	27,000	7,500	208,000	16,203.20
Cleveland	50,000	49,000	78,500	19,500	10,000	207,000	16,125.30
Richmond	- - -	- - -	35,528	12,500	6,000	54,028	4,208.78
Atlanta	25,000	26,000	27,000	2,000	5,000	85,000	6,621.50
Chicago	105,000	115,000	125,000	31,500	26,000	402,500	31,354.75
St. Louis	16,000	19,000	16,000	2,500	2,500	56,000	4,362.40
Minneapolis	18,000	17,500	19,000	1,000	1,000	56,500	4,401.35
Kansas City	24,500	15,000	18,500	2,000	4,000	64,000	4,985.60
Dallas	23,500	25,000	19,500	1,000	1,000	70,000	5,453.00
San Francisco	- - -	2,313	54,500	6,000	9,500	72,313	5,633.19
	445,500	542,223	628,528	149,000	120,500	1,885,751	$146,900.01

1,885,751 sheets, @ $77.90 per M, ... $146,900.01

SUMMARY

	Sheets Backs and Backs and Faces	Amount
Boston, ...	205,820	$11,707.04
New York, ...	1,015,000	57,733.20
Philadelphia, ...	416,000	23,662.08
Cleveland, ...	414,000	23,548.32
Richmond, ...	108,056	6,146.23
Atlanta, ...	170,000	9,669.60
Chicago, ...	805,000	45,788.40
St. Louis, ...	112,000	6,370.56
Minneapolis, ...	113,000	6,427.44
Kansas City, ...	128,000	7,280.64
Dallas, ...	140,000	7,963.20
San Francisco, ...	144,626	8,226.33
	3,771,502	$214,523.04

Bureau of Engraving and Printing

C. R. Long, Assistant Director.

X-6591

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

May 9, 1930

For immediate release:

The Federal Reserve Board today appointed Mr. John S. Wood of St. Louis, Missouri, as a Class C Director of the Federal Reserve Bank of St. Louis for the unexpired portion of the term ending December 31, 1930, to succeed Mr. Rolla Wells, resigned, and designated him as Chairman of the Board of Directors of the Bank and as Federal Reserve Agent for the balance of the current year.

Since 1920 Mr. Wood has been Chief National Bank Examiner of the Eighth Federal Reserve District.

COPY X-6590 428

May 2, 1930.

To: The Federal Reserve Board.

From: Mr. Wyatt, General Counsel.

SUBJECT: Conference of Counsel of Federal reserve banks to consider effect of decision of Supreme Court of United States in Early v. Federal Reserve Bank of Richmond and proposed amendments to Regulation J.

I respectfully recommend that the Board authorize me to call a conference of counsel of all Federal reserve banks to be held in Washington at the earliest convenient date for the purpose of :

(1) Considering the effect of the recent decision of the Supreme Court of the United States in the case of Thomas A. Early, Receiver, v. Federal Reserve Bank of Richmond, upon the rights, duties, and liabilities of the Federal reserve banks.

(2) To give further consideration to the proposed amendments to Regulation J recommended by the last Conference of Counsel, which have been adopted by the Board, but not yet made effective.

(3) To consider what other amendments, if any, to Regulation J should be adopted;

(4) To consider what changes, if any, should be made in the check collection circulars of the Federal reserve banks; and

(5) To confer with representatives of the Comptroller of the Currency with reference to the release of reserve balances of insolvent national banks to the receivers of such banks.

NECESSITY FOR CONFERENCE

A Conference of Counsel on the above subject has been requested by counsel for a number of the Federal reserve banks and by the Governor of one Federal reserve bank.

The decision of the Supreme Court in the above mentioned cases raises serious questions as to the rights, duties and liabilities of the Federal reserve banks in collecting checks and undoubtedly will result in a great

amount of litigation between the Federal reserve banks, the owners of checks on insolvent banks and receivers for insolvent banks. It is extremely important, therefore, that a Conference of Counsel for all Federal reserve banks be held at the earliest possible date to consider the above questions and to take or recommend such steps as may be necessary to clarify the rights and duties of the Federal reserve banks in connection with the collection of checks, to protect the Federal reserve banks against unwarranted liabilities, to reduce the possibilities of litigation, and to consider how such litigation as does arise may best be handled. This Conference should also endeavor to arrive at an understanding with the office of the Comptroller of the Currency on the question under what circumstances Federal reserve banks are justified in releasing to the receivers of insolvent national banks the reserve balances of such banks, in order to avoid litigation between the receivers and the Federal reserve banks and to avoid undue delay in the final liquidation of insolvent national banks.

The matters pointed out above render an early conference of counsel almost imperative. Even, in the absence of such matters, however, a conference would be justified by the benefits derived by this office and by Counsel for the various Federal reserve banks from an interchange of views on the various legal problems of the Federal reserve system. The conferences which have been held in the past have proven very beneficial and helpful to Counsel for the various Federal reserve banks and to this office, and I believe that such conference should be held at least once each year. More than a year has elapsed since the last conference.

THE EARLY CASE

This is the case which I have been calling to the Board's attention from time to time ever since October, 1927, and which, as early as February, 1928, the Conference of Counsel for all the Federal reserve banks said was

"fraught with most dangerous consequences to the entire Federal reserve collection system." It has been considered by two Conferences of Counsel, has been considered by the Governors' Conference a number of times, and for over three years has been a matter of serious concern to this office and to Counsel for all the Federal reserve banks.

The recent decision of the Supreme Court of the United States in this case brings the litigation to a close, but leaves the Federal reserve system in a position where it must carefully consider the effects of the decision and what steps should be taken to avoid dangerous and harmful results.

Facts

The essential facts considered by the Supreme Court and the points of law involved in the court's decision may be summarized briefly as follows:

The Federal Reserve Bank of Richmond was collecting checks on the so-called "charge system" as distinguished from the "remittance system" used by all of the Federal reserve banks except Richmond and Philadelphia. It had in its check collection circular a provision reading as follows:

> "Checks received by us drawn on our member banks will be forwarded in cash letters direct to such banks and each member bank will be required either to remit therefor in immediately available funds or to provide funds available to us to meet such cash letters within the agreed transit time to and from the member bank. Therefore, the amount of any cash letter to a member bank is chargeable against available funds in the reserve account of such member at the expiration of such transit time, which date will be shown on each cash letter. The right is reserved, however, to charge a cash letter to the reserve account of a member bank at any time when in any particular case we deem it necessary to do so."

The Federal Reserve Bank of Richmond forwarded certain checks to the Farmers and Merchants National Bank of Lake City, South Carolina, for collection. These checks were received by the Lake City Bank the next day, marked paid, and charged to the account of the drawers. Before the expiration of the time allowed for the collection of such checks, the Lake

City Bank failed without remitting to the Federal reserve bank for such checks and without specifically authorizing the Federal reserve bank to charge the amount thereof to its reserve account. After notice of the failure of the Lake City Bank, the Federal reserve bank charged the amount of such checks to its reserve account. The receiver of the Lake City Bank brought suit against the Federal reserve bank to recover the reserve balance of the Lake City Bank in the hands of the Federal reserve bank on the day the bank closed, claiming that any general authority which the Federal reserve bank may have had to charge such checks to the reserve account of the Lake City Bank was revoked by the insolvency of the Lake City Bank and that the charge which had been made was unlawful.

Decision

In an opinion rendered by Mr. Justice Holmes, the Supreme Court of the United States held that:

(1) All parties must be taken to have dealt upon the terms of the collection circular of the Federal Reserve Bank of Richmond.

(2) By this circular the Federal reserve bank reserved the right to charge checks to the reserve account whenever deemed necessary.

(3) "This power is reserved more obviously in the interest of the depositors of the checks than of the Richmond bank."

(4) "The existence of the power must be assumed to have been one of the considerations inducing the owner of the check to give the Richmond Bank authority to send it directly to the drawee."

(5) "All parties must be taken to have understood that in the event that happened it was the duty of the Richmond bank when it knew the facts to charge the reserve account of the South Carolina bank, and if so the accounts should be charged."

The Supreme Court, therefore, upheld the legality of the action of the Federal Reserve Bank of Richmond in charging such checks to the reserve account of the drawee bank after insolvency. Moreover, the court said that, under the circumstances existing in this case, it was the duty of the Federal Reserve Bank of Richmond to charge such checks to the reserve account of the drawee bank. By this remark, the court did exactly what I feared it would do and justified the fear expressed by the Conference of Federal reserve bank Counsel in February, 1928, when they adopted a solemn resolution saying that this case "is fraught with most dangerous consequences to the entire Federal reserve system."

Effect of Decision

The decision thus establishes three propositions:

(1) The relations of all parties interested in the collection of checks through the Federal reserve banks are fixed and determined by the provisions of the check collection circulars of the Federal reserve banks.

(2) In their check collection circulars the Federal reserve banks may reserve the right to charge checks to the reserve account of the drawee bank at any time.

(3) If they reserve such right, it is their duty to exercise the right for the protection of the owners of such checks.

It raises the question whether it is the duty of the Federal reserve banks to reserve such right for the protection of the owners of checks collected through the Federal reserve collection system.

In view of the fact that it has not been customary for Federal reserve banks to charge checks to the account of the drawee bank after insolvency, I feel certain that this decision of the Supreme Court will result in a great amount of litigation between the Federal reserve banks and the owners of checks handled by them for collection and possibly between the Federal

reserve banks and the office of the Comptroller of the Currency or receivers appointed by it.

In February, 1924, the Supreme Court of the United States decided the case of Malloy v. Federal Reserve Bank of Richmond, holding that a Federal reserve bank is liable for any loss resulting from the acceptance of a bank draft in payment for checks handled for collection instead of insisting upon the payment of such checks in cash. Although Regulation J and the check collection circulars of Federal reserve banks were amended in May, 1924, so as expressly to authorize the Federal reserve banks to accept bank drafts in payment for checks collected by them, that case has resulted in a great amount of litigation involving many of the different Federal reserve banks; and cases based upon the doctrine of the Malloy case are still pending in the courts.

I feel certain that history will repeat itself in connection with the Early case and that there will be a great amount of litigation. That this will be so is indicated by the fact that counsel for the Federal reserve banks are already receiving letters from attorneys representing the owners of checks on failed banks raising the question whether the Federal reserve bank is not liable for the losses on such checks in view of the decision of the Supreme Court in the Early case.

Matters to be Considered.

Under these circumstances, it is extremely important that the entire matter be given most careful consideration at an early date and that decisions be reached on the following questions:

(1) To what extent are Federal reserve banks liable for losses on checks heretofore handled in view of the decision in the Early case?

(2) What amendments, if any, should be made to Regulation J in order to clarify the legal rights and responsibilities of the Federal reserve

banks and if possible protect them from any unwarranted liability?

(3) What changes, if any, should be made in the check collection circulars of the Federal reserve banks for the same purposes?

(4) What should be the attitude of the Federal reserve banks with reference to releasing to receivers of insolvent banks the reserve balances of such banks where checks on such banks have been charged to the accounts of the drawers, but no remittances have been made to the Federal reserve banks?

(5) What defenses should be interposed to suits brought against Federal reserve banks based on the doctrine of the Early case? and

(6) What changes, if any, should be made in the practices of the Federal reserve banks in handling checks in the light of this decision?

I believe that these questions can best be considered at a Conference attended by the representatives of this office and by counsel for all of the Federal reserve banks and that such a conference should be held at the earliest convenient date.

UNIFORM POLICY AND AMENDMENTS TO REGULATIONS.

In view of the questions of law raised in the Early case and fearing that the Supreme Court could render a decision such as it recently did render, the Federal Reserve Board, on the recommendations of the Conference of Counsel, the Governors' Conference, and this office, adopted an amendment to Regulation J on December 11, 1928, which became effective February 1, 1929, and which eliminated from the regulation the provision thereof authorizing any Federal reserve bank " to reserve the right in its check collection circular to charge such items to the reserve account or clearing account of any such bank at any time when in any particular case the Federal reserve bank deems it necessary to do so." As a result of this amendment to the regulation, the Federal reserve banks of Philadelphia and

Richmond abandoned the method of check collection which gave rise to the Early case and adopted the remittance system which for many years had been used by the other ten Federal reserve banks. This change in the regulation and the corresponding change in the check collection practice of Federal reserve banks reduces to some extent the danger of the Federal reserve banks being held liable for losses on checks under the doctrine of the Early case. I am under the impression, however, that some of the Federal reserve banks still reserve the right to charge checks to the reserve account of the drawee banks under certain circumstances; and, in view of the decision in the Early case, such banks probably are liable for any losses resulting from a failure to exercise this right.

At a conference of Counsel held in Washington in April, 1929, certain further recommendations were made with a view of protecting the Federal reserve banks against the possible consequences of the decision in the Early case. By a vote of 8 to 4 the conference recommended the adoption of a uniform policy with reference to check collections and the adoption of certain amendments to Regulation J. By a vote of 9 to 3, the Governors' Conference, which was in session at the same time, adopted the uniform policy recommended by the Conference of Counsel and recommended that the Federal Reserve Board adopt the amendments to Regulation J recommended by the Conference of Counsel.

On October 15, 1929, the Federal Reserve Board approved the uniform policy and adopted the proposed amendments to Regulation J, making the latter effective January 1, 1930. Before the amended regulations became effective, however, certain questions were raised as to the possible effect of the regulations on the right of Federal reserve banks to take special steps to protect themselves against liability in collecting checks under extraordinary and unusual circumstances; further differences of opinion

developed amongst the Federal reserve banks on this question; and on December 17, 1929, the Board voted to postpone indefinitely the effective date of the amendments to the regulation.

Advice of the postponement of the effective date of the amendments was telegraphed to all Federal reserve banks on December 17, 1929, and I was requested to prepare a circular letter confirming the telegram. I prepared and submitted to the Board a circular letter confirming advice that the effective date of the amendments to the regulations had been postponed indefinitely, but saying that this had no effect on the uniform policy. The Board has not yet taken any action on this circular letter and no further advice has been sent to the Federal reserve banks with reference either to the amendment to the regulation or the uniform policy. The amendments to the regulation have never become effective and the banks probably are uncertain as to whether or not the uniform policy is in effect.

I am not entirely satisfied with the proposed amendments to the regulation, and certain differences of opinion between individual counsel as to the best form of such amendments has arisen; but it is extremely important that some amendment designed to clarify the rights and responsibilities of Federal reserve banks and to protect them against any unwarranted liabilities under the decision in the Early case be adopted at the earliest possible date.

I believe, therefore, that a conference of Counsel should be called as soon as possible, in order to endeavor to iron out all differences of opinion as to the most appropriate amendments to the regulations. Other possible amendments to the regulation have also been suggested and it would be advisable to consider such other amendments at the same time in order that all necessary amendments to the regulations may be adopted at one time, thus avoiding frequent piecemeal amendments to the regulation.

DURATION OF CONFERENCE

In this connection, I desire to say that the differences of opinion at the conclusion of the last Conference of Counsel probably resulted in part from the fact that the conference was held at the same time as the Governors' Conference and the Conference of Counsel had to hurry in order to submit its recommendations to the Governors' Conference before that Conference adjourned. This did not allow sufficient time to adjust differences of opinion and work out compromises; and I believe that, if another Conference of Counsel is held to consider these questions, each counsel should be requested to come to Washington prepared to remain until all differences of opinion are ironed out or until it is clear that it is impossible to eliminate them.

Respectfully,

Walter Wyatt,
General Counsel.

WW:vdb

COPY X-6592

FEDERAL RESERVE BANK

OF BOSTON

December 7, 1929

Federal Reserve Board,
Washington, D. C.

Dear Sirs:

In reply to your letter of November 27, 1929 (X-6429), relative to the suggested change in recent amendment to Regulation J, and you are advised that we agree with the General Counsel in his opinion expressed in a letter to the Board of November 13, 1929 (X-6429-b) and believe that it would not be desirable to make the further amendment to Regulation J suggested in the correspondence you enclose (X-6429-a).

Yours very truly,

(S) W. W. Paddock,
Deputy Governor.

R

COPY X-6592-a

FEDERAL RESERVE BANK

OF NEW YORK

December 4, 1929.

Federal Reserve Board,

Washington, D. C.

S i r s:

Receipt is acknowledged of your letter of November 27, 1929 (X-6429), enclosing copy of letter dated October 22, 1929 (X-6429-a) from Mr. Blair, Deputy Governor of the Federal Reserve Bank of Chicago, and copy of memorandum of Mr. Wyatt dated November 13, 1929 (X-6429-b), all with reference to a change suggested by Mr. Blair in the recent amendment, to be effective January 1, 1930, to paragraph 6 of Section V of Regulation J, this change being designed to protect the Federal Reserve Banks against claims arising out of the failure of a bank other than the drawee bank to which checks have been forwarded by the Federal Reserve Banks for collection.

We have considered the suggested change and agree with Mr. Wyatt that it is not advisable.

Very truly yours,

(S) George L. Harrison,
Governor.

COPY X-6592-b 440

FEDERAL RESERVE BANK

OF RICHMOND

November 29, 1929.

SUBJECT: Suggested Change in the Recent Amendment to Regulation J.

Federal Reserve Board,

Washington, D. C.

Dear Sirs:

We are in receipt of the Board's letter X-6429, November 27, under the above caption.

So far as this bank is concerned, it will be immaterial whether the recent amendment to Regulation J be left in its present form or changed in the manner suggested, but it would perhaps be desirable to have the regulation in such form as to cover all the transactions or practices of Federal Reserve Banks of this character. Since the regulation is intended to prescribe the exact form of contract into which Federal Reserve Banks may enter with their member banks, in order to preserve the fundamental relationship of agency it would, perhaps, be better for the form of regulation to cover all transit operations of whatever kind, as alluded to above.

The object is not so much to afford further protection to Federal Reserve Banks, as intimated in the last paragraph of the Board's General Counsel, as to make the regulation uniformly applicable in all transit operations with member banks, and avoid giving any preference to the holder or owner of the checks in the assets which Federal Reserve Banks may chance to hold for those banks through which checks are sent for collection when they happen not to be drawee banks.

Yours very truly,

GJS-CCP

(S) GEO. J. SEAY,
Governor.

COPY X-6592-c 441

FEDERAL RESERVE BANK OF CHICAGO

230 South LaSalle Street

November 30, 1929

SUBJECT: Suggested Change to Recent Amendment of Regulation J.

Mr. E. M. McClelland, Assistant Secretary,
Federal Reserve Board,
Washington, D. C.

Dear Mr. McClelland:-

I have your letter of the 27th instant enclosing copy of Board's letter X-6429 concerning amendment to paragraph 6, Section 5, Regulation J. This bank favors the proposed amendment of the amendment, so that paragraph 6 will read as set out in your letter addressed to Governors of all the Federal Reserve Banks, included in X-6429.

After reading Mr. Wyatt's letter included in X-6429, I am inclined to the opinion that he did not quite understand my suggestion as to the correction of paragraph 6. I am enclosing herewith copy of letter which I have just written Mr. Wyatt on the subject.

Very truly yours,

(S) J. H. Blair,
Deputy Governor.

K

(Copy) X-6592-d 442

November 30, 1929

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

Dear Mr. Wyatt:-

I have just read your letter to the Board included in Board's letter X-6429 in regard to the suggested change in recent amendment to Regulation J, and it seems to me that you did not quite get the full reasons for further amendment of paragraph 6 suggested in my letter to the Board of October 22nd. It is possible I did not make myself quite clear in that letter.

I do not think the Federal Reserve Banks need any further protection in the selection of a collecting agent. We already have that protection in paragraph 2, Section 5 of Regulation J and in paragraph 6, Section 5 as it originally read, and which authorizes us to charge back to the forwarding bank the amount of any check for which payment in actually and finally collected funds is not received, regardless of whether or not the check itself can be returned.

It is my understanding that the purpose of the original amendment to paragraph 6 was to protect us against claims that might be made by depositing banks upon any funds in our possession belonging to the closed bank in which their items were involved. Such closed bank might be either the drawee bank or any other collecting agent bank and the need for such protection is just as great in one case as in the other.

For instance, the forwarding bank might conclude that the member bank to which we forwarded the checks for collection and which actually collected the checks from the payee bank, but which closed before remittance was made to us, might be liable for some reason for the amount of such checks and proceed against us by attachment of the reserve account or other property of the closed bank in our hands. In such an event, I think we would need the same protection against the collecting bank as we would against the drawee bank.

Very truly yours,

Deputy Governor.

K

COPY

X-6592-e

FEDERAL RESERVE BANK
OF
ST. LOUIS

December 7, 1929.

Federal Reserve Board,
Washington, D. C.

Gentlemen:

The sugject of your letter X-6429, bearing date of November 27, 1929, has been discussed in this office and also presented to our Counsel for his views. Copy of Counsel's memorandum on the subject is enclosed.

While from a legal standpoint it makes little difference in this district whether the change suggested by Chicago is or is not adopted, the concensus of opinion of the officers is that it is desirable and advisable to make the change suggested.

Yours very truly,

(S) Wm. McC. Martin,
Governor.

COPY X-6592-f 444

December 6, 1929.

Mr. Wm. McC. Martin, Governor,
Federal Reserve Bank of St. Louis,
St. Louis, Missouri.

Dear Governor:

RE: Suggested changes in wording of
Paragraph 6, Section V, Regulation J.

I have before me the letter of Mr. J. H. Blair, Deputy Governor of the Federal Reserve Bank of Chicago and the Federal Reserve Board's letter X-6429, Subject: Suggested changes in recent amendment to Regulation J, and your verbal request for any comments I cared to make on the subject.

I can offer no objection to the suggested change since it would clarify the intention of Paragraph 6, Section V, Regulation J, and would take care of a case where the collecting bank was not the drawee and where the owner might successfully claim that the Regulation, as worded, did not apply and that the Reserve bank was negligent in not appropriating the member bank's balances and/or capital stock returns in payment for the unremitted for items.

However, I do not believe in the States included in the 8th Federal Reserve District the Reserve Bank will be called upon to respond under such circumstances for the Massachusetts rule prevails in practically all these State making the collecting bank the agent of the owner of the item instead of the agent of the Reserve Bank.

Further, in States included in the District, the owner would have a preferred claim against the collecting bank whether the collecting bank be a State or National Bank, and in all probability would be paid in full; consequently, as far as the wording is concerned it would make no difference whether the amendment be left as it is, or changes as suggested, for there is little likelihood that the owner of the item will suffer any loss.

Very truly yours,

(Signed) Jas. G. McConkey
Counsel.

C O P Y

COPY

X-6592-g

FEDERAL RESERVE BANK

OF MINNEAPOLIS

December 3, 1929.

Federal Reserve Board,
Washington, D. C.

Gentlemen:

Referring to yours of November 27th (x6429), our Counsel has gone over the suggestion of Mr. Blair for a change in Paragraph 6, Section V of Regulation J, and we concur with Mr. Blair's views, believing that the change he recommends is desirable.

Yours very truly,

(S) W. B. Geery
Governor

WBG-C

COPY

446

X-6592-h

FEDERAL RESERVE BANK

OF DALLAS

December 4, 1929.

Federal Reserve Bank,
Washington, D. C.

Gentlemen: Attention Mr. E. M. McClelland, Asst. Secy.

Reference is made to Board's letter X-6429, dated November 27, 1929, on the subject "Suggested Change in Recent Amendment to Regulation J."

We referred this matter to our Counsel for an opinion and they have advised that they do not feel that the point raised is of sufficient importance to justify another amendment to Regulation J.

They state further that it is extremely important that Regulation J be amended as little as possible, and that therefore it is their view that a further amendment should not be made to cover Deputy Governor Blair's point.

Yours very truly,

(S) Lynn P. Talley,
Governor

COPY

447

X-6592-i

FEDERAL RESERVE BANK OF SAN FRANCISCO

December 3, 1929.

Federal Reserve Board,
Washington, D. C.

Subject: Suggested change in Regulation J. X-6429.

Dear Sirs:

It is our belief that the question raised by Deputy Governor Blair, of the Federal Reserve Bank of Chicago, regarding the recent amendment to paragraph 6 of Section V, Regulation J, is well taken.

Regulation J, Section V, paragraph 2, states:

> "A Federal reserve bank may present such checks * * * direct to the bank on which they are drawn * * * or in its discretion may forward them to another agent" * * *

Regulation J, Section V, paragraph 3, states:

> "A Federal reserve bank may at its discretion * * * either directly or through an agent, accept * * * bank drafts in payment * * * for such checks, and shall not be held liable for any loss resulting from the acceptance of bank drafts in lieu of cash * * * nor for the nonpayment of any draft accepted in payment or as a remittance from the drawee bank or any agent."

Regulation J, Section V, paragraph 6, should be amended by inserting the words "or other agent," as follows:

> "The amount of any check for which payment in actually and finally collected funds is not received shall be charged back to the forwarding bank regardless of whether or not the check itself can be returned. In such event, neither the owner nor holder of any such check, nor the bank which sent such check to the Federal reserve bank for collection, shall have any right of recourse upon, interest in, or right of payment from, any funds received, collateral, or other property of the drawee bank, or other agent, in the possession of the Federal reserve bank."

This change will harmonize with the intent of the other provisions of Section V, Regulation J, and will afford the Federal reserve banks the necessary protection when selecting agents other than drawees in effecting collection of checks.

Yours very truly,

(S) J. U. Calkins,
GOVERNOR.

COPY

X-6593

August 17., 1929.

To: The Federal Reserve Board.

From: Mr. Wyatt, General Counsel.

SUBJECT: Policy to be Pursued by Federal Reserve Banks in Asserting Rights on behalf of Depositors of Unremitted for Transit Items against Receivers of Insolvent Member Banks.

The attached file pertains to the action taken by the Conference of Counsel of all Federal reserve banks and by the Governors' Conference on the above subject:

RECOMMENDATIONS.

After careful consideration of the recommendations of the Conference of Counsel and the action of the Governors' Conference, I respectfully recommend:

1. That the Board approve the uniform policy recommended by the Conference of Counsel and adopted by the Governors' Conference and request all Federal reserve banks to comply strictly with such uniform policy.

2. That the Board amend Paragraph 4 of Section V of Regulation J to read as follows:

> "(4) Checks received by a Federal reserve bank on its member or nonmember clearing banks will ordinarily be forwarded or presented direct to such banks and such banks will be required to remit or pay therefor at par in cash, by bank drafts acceptable to the collecting Federal reserve bank, by telegraphic transfers of bank credits acceptable to the collecting Federal reserve bank, or by authorizing the collecting Federal reserve bank to charge their reserve accounts or clearing accounts."

3. That the Board amend Paragraph (6) of Section V of Regulation J to read as follows:

> "(6) The amount of any check for which payment in actually and finally collected funds is not received shall be charged back to the forwarding bank, regardless of whether or not the check itself can be returned. In such event, neither the owner or holder of any such check, nor the bank which sent such check to the Federal reserve bank for collection, shall have any right of recourse upon, interest in, or right of payment from, any fund, reserve, collateral, or other property of the drawee bank in the possession of the Federal reserve bank."

A draft of a proposed circular letter to all Federal reserve banks announcing the action recommended above is respectfully submitted herewith.

DISCUSSION

Having been authorized to do so by the Board, I arranged for a conference of counsel of all Federal reserve banks to be held in Washington commencing on April 1 to consider the above subject. Simultaneously the Board placed the same subject on the program for consideration at the Governors' Conference, which was held in Washington at the same time. The object was to have the counsel for all of the Federal reserve banks endeavor to agree upon a uniform policy to be recommended to the Conference of Governors with a view of having such recommendations considered immediately by the Conference of Governors while counsel for the various Federal reserve banks were still in Washington and available for consultation either with their respective governors or with the Governors' Conference as a whole.

ACTION OF CONFERENCE OF COUNSEL.

The counsel of every Federal reserve bank was present at the conference and the first action of the Conference of Counsel was to adopt unanimously the following resolution:

> "RESOLVED, That it be the sense of this conference that uniformity among all of the Federal reserve banks in the treatment of reserve balances, collateral accounts and the cash surrender value of capital stock in relation to outstanding cash items, is desirable."

The Conference then proceeded to consider the question whether reserve balances of insolvent member banks, collateral pledged by them with the Federal reserve bank, and the proceeds of canceled Federal reserve bank stock should be utilized by them for the collection of checks which had been marked "paid" by the drawee banks and charged to the accounts of the drawers, but for which no remittance or remittances not finally collectible have been made, due to the insolvency of the drawee banks.

On this question a tentative vote showed that the Conference was divided eight to four and two committees were appointed to draft reports stating the majority and minority views. Subsequently, both committees submitted written reports, copies of which in their final form are attached hereto for the Board's information.

The majority report, which was adopted by the Conference of Counsel by a vote of eight to four and which was subsequently adopted by the Governors' Conference, was in the form of a resolution reading as follows:

> "WHEREAS there now exists a lack of uniformity among the twelve Federal reserve banks in their construction of Regulation J, as promulgated by the Federal Reserve Board,

which lack of uniformity has given rise to litigation in the past and holds promise of increased litigation in the future with conflicting decisions in various judicial districts; and

"WHEREAS, we deem it of the utmost importance that all of the Federal reserve banks follow a uniform policy in the respect stated:

"BE IT RESOLVED that the following represents the consensus of opinion of the Conference of Counsel to the various Federal reserve banks, assembled pursuant to the call of the General Counsel to the Federal Reserve Board:

"1. We construe Regulation J of the Federal Reserve Board as intended to provide that the Federal reserve banks shall take for collection checks sent to them for such purpose by other banks, merely as agents of the banks from which the same are received. We regard this policy as being economically sound, legally proper and fair in its operation.

"2. We believe that it would be extremely unwise to take any step or to formulate any policy which would tend to change this relationship and, specifically, that it would be unwise to attempt to superimpose upon a pure agency status any indicia of ownership with respect to the subject matter of the agency.

"3. We believe that it is incompatible with such agency status for Federal reserve banks to set-off amounts due to them, as agents for collection, against indebtedness due by them to insolvent member or non-member clearing banks; hence, we are of the opinion that after a bank has been closed the reserve bank of its district being notified of its suspension, should not thereafter attempt to charge unpaid cash items against the reserve account of the closed bank. For the same reason we believe that after notice of suspension a remittance draft, drawn by the closed bank, should not be charged against its reserve account.

"4. When a Federal reserve bank takes from one of its members collateral for the payment of indebtedness due to it by such member, such collateral should be applicable only to the satisfaction and discharge of the obligations due to the reserve bank in its own right. It would be an unwise policy, in our opinion, to permit such collateral to be utilized in the liquidation or satisfaction of debts payable to the Federal reserve bank as a collection agent.

"5. The status of the capital stock holdings of a member bank in its Federal reserve bank, upon the insolvency or liquidation of such member, is fixed by the Federal Reserve Act and, as we construe the same, the proceeds of such holdings could only be applied in or toward the satisfaction of debts due to the Federal reserve bank in its own right, as contradistinguished from debts which might be payable to the reserve bank as a collection agent.

"6. In our opinion, any deviation from these policies, in furtherance of which Regulation J was promulgated, would entail grave dangers to Federal reserve banks and would result in the preferring of a limited number of creditors of an insolvent bank, contrary to the letter and spirit of the law as it exists in the various States and as administered in the Courts of the United States.

"7. In view of the conflicting interpretations which have been placed upon Regulation J by the Federal reserve banks, resulting in conflicting judicial decisions in relation thereto, we deem it of the utmost importance that Regulation J be so clarified by amendment as to result in uniformity in its interpretation and application. Such amendment, we believe, should be made at the earliest possible time. To accomplish this purpose we recommend that subject to the approval of General Counsel to the Federal Reserve Board, paragraph 6 of Section V of Regulation J be amended to read substantially as follows:

> '(6) The amount of any check for which payment in actually and finally collected funds is not received shall be charged back to the forwarding bank, regardless of whether or not the check itself can be returned. The owner or holder of any such check so charged back shall, in such event, have no right of recourse upon, interest in or rights of payment from any fund, reserve, collateral or other property in the possession of the Federal reserve bank.'

We further recommend that subject to the approval of General Counsel to the Federal Reserve Board, paragraph 4 of Section V of Regulation J be amended to read substantially as follows:

> '(4) Checks received by a Federal reserve bank on its member or nonmember clearing banks will ordinarily be forwarded or presented direct to such banks and such banks will be required to remit or pay therefor at par, Such remittance or payment may be made in cash, by bank

draft acceptable to the collecting Federal reserve bank, by other funds or transfers acceptable to the collecting Federal reserve bank, or by authorizing the collecting Federal reserve bank to charge their reserve accounts or clearing accounts.'"

It will be seen that this resolution does two things: (1) It recommends a uniform policy to be followed by all Federal reserve banks and, (2) It recommends the adoption of two amendments to Regulation J, subject to my approval.

The proposed amendments to Regulation J were made subject to my approval because I had had no part in drafting them and it was thought possible that some changes in their phraseology might be found necessary. The understanding was that I was to be at liberty to recommend any changes in the phraseology which would not materially affect the substance of the proposed amendments without further consultation with the counsel of the various Federal reserve banks, but that, if I considered any very material changes in the substance of the proposed amendments to be necessary or advisable I would consult further with the counsel before recommending the adoption of such amendments to the Federal Reserve Board. The amendments which I have recommended above contain some slight changes in phraseology, but are substantially the same as those recommended by the majority of the Conference of Counsel and, therefore, I have not deemed it necessary to consult further with the counsel on this subject.

The minority report, which is too long to be quoted in this memorandum, but a copy of which is attached hereto for the Board's information, advocated the adoption of a policy opposite to that recommended by the majority and opposed the adoption of the proposed amendment to Paragraph (6) of Section V of Regulation J, but concurred in the recommendation of the majority with reference to the proposed amendment to Paragraph (4) of Section V of Regulation J.

In my opinion, the proposed uniform policy recommended by the majority of the Conference of Counsel is based upon a correct interpretation and application of, and is in every way consistent with, the provisions of Regulation J as promulgated by the Federal Reserve Board in 1924, which are still in effect and which have been sustained by the courts. In my opinion, the recommendation of the minority of the counsel is inconsistent with the fundamental principles of that Regulation. I am, therefore, of the opinion that the uniform policy recommended by the majority of the counsel should be approved by the Federal Reserve Board and that all Federal reserve banks should be requested to comply strictly therewith.

ACTION OF THE GOVERNORS' CONFERENCE.

When the Conference of Counsel was ready to report its recommendations, it met in joint session with the Conference of Governors; both the majority and minority reports were submitted to the Conference of Governors; the views of both the majority and the minority of the counsel were thoroughly explained, to the Conference of Governors and debated in the joint Conference of Governors and Counsel; and then the Governors went into executive session to consider both reports. After further consideration of both reports in executive session, the Conference of Governors adopted the following resolution:

> "RESOLVED, That we approve in substance the majority report of the Conference of Counsel, with the understanding that, to assist the 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."

REPORTS FROM GOVERNORS OF THE VARIOUS BANKS.

Pursuant to the action of the Governors' Conference, the Governor of each Federal reserve bank was requested to advise the Board 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.

Replies have now been received from the Governors of all Federal reserve banks and are attached hereto for the Board's information.

All of the Governors except those at the Federal Reserve Banks of New York and Philadelphia state that they know of no local arrangements which would be affected by the proposed amendments to Regulation J.

The Federal Reserve Bank of New York has no local arrangements which would be affected by the proposed amendments except the agreement under which it handles checks drawn on practically all member banks located in the boroughs of Manhattan, Bronx and Brooklyn which are not members of the New York clearing house. The agreements with these member banks provide that each morning each member shall send a representative to the Federal Reserve Bank to receive checks drawn on the member bank and the Federal Reserve Bank may charge to the member bank's reserve account the amount of checks delivered to such representative, subject to the right of the member bank to return any checks before 3 o'clock the same day and receive credit therefor.

With respect to certain large member banks, the reserve account would not be sufficient to cover such checks without credit for immediate credit items deposited by such member banks but which will not actually be collected until later in the day. The credit risk in such cases is probably insignificant; but, because of the large amounts sometimes involved, the Federal Reserve Bank considers it a serious question whether it should not take collateral to protect itself against possible loss from handling checks in this manner or to insure payment of such checks. The Federal Reserve Bank of New York has never taken such collateral but is considering the advisability of doing so.

The Federal Reserve Bank of Philadelphia uses two forms of collateral agreements to protect it in collecting checks: (1) A form of agreement intended to protect it against loss incurred by it in leaving collection items at nonmember city banks for examination and payment or return at a later hour during the day; and (2) A form of agreement intended to take care of the collection of items upon certain nonmember country banks where existing circumstances would make it unwise to collect such items without the protection afforded the Reserve Bank by the deposit of collateral.

The pledge of collateral with the Federal Reserve Bank to protect it against liability under the circumstances described by the Federal Reserve Banks of New York and Philadelphia might be considered inconsistent with the uniform policy recommended by the Conference of Counsel and approved by the Governors' Conference; but in my opinion it would not be a violation of the new language proposed to be added to the last paragraph of Section V of Regulation J.

The Federal Reserve Bank of Richmond calls attention to a local clearing house arrangement by which collateral is deposited by Richmond clearing house banks with a trust company to secure any member of the clearing house against loss as a result of checks being delivered through the clearing house for payment or return. The Federal Reserve Bank of Richmond does not consider this arrangement inconsistent with the proposed amendments and I concur in this view, since the securities are deposited with a trust company and not with a Federal reserve bank and are for the protection of all members of the clearing house and not for the protection of the Federal reserve bank alone.

The Federal Reserve Bank of Boston suggests that the new regulations be not drawn in such a way as to deny to any Federal reserve bank, either specifically or by implication, the right to protect itself against liability by making special arrangements to se-

cure the payment of checks in particular cases. I do not believe that the proposed amendments to the regulation could be construed as having this effect.

Although Governor Geery states that he knows of no local arrangements in the Minneapolis district which would be affected by the proposed amendments, Judge Ueland, Counsel for the Federal Reserve Bank of Minneapolis, in a personal letter to me, calls attention to two local arrangements which he thinks might be affected by the proposed amendments to Regulation J: (1) A collateral agreement used by the Federal Reserve Bank of Minneapolis, whereby all collateral pledged with the Federal reserve bank may be applied to any and all indebtedness due to the Federal reserve bank arising from any source whatsoever; and (2) An arrangement by which the Federal reserve bank acts as a clearing house for the Twin City Banks under the terms of which the Federal reserve bank is authorized at its option to charge to the reserve accounts of the respective banks the adverse balance of such bank's clearings on that day. Judge Ueland construes these arrangements as giving the owners of checks handled by the Federal reserve bank a right to insist that they be collected out of the reserve balance or the collateral pledged with the Federal reserve bank, and if they had this effect they would be inconsistent with the proposed amendments to the regulation. I do not, however, see how either one of these arrangements could have this effect; and, therefore, I do not consider that they would be affected by the proposed amendments. I assume that Governor Geery takes the same view and that this is the reason why he did not call these arrangements to the Board's attention.

I am of the opinion, therefore, that the replies received by the Federal Reserve Board from the various Federal reserve banks disclose no reason why the proposed amendments should not be adopted at this time.

IMPORTANCE OF A UNIFORM POLICY.

I heartily concur with the resolution adopted unanimously by all of the Counsel to the effect that uniformity among all of the Federal reserve banks in the treatment of reserve balances, collateral accounts and the cash surrender value of capital stock in relation to outstanding cash items is desirable.

The failure to have such a uniform policy has in the past resulted in the different Federal reserve banks working at cross purposes and endeavoring to establish in the courts conflicting principles governing the rights and liabilities of Federal reserve banks in this respect.

This will inevitably lead to confusion, uncertainty, and increased litigation between the Federal reserve banks, the receivers of insolvent member banks, and the endorsers or owners of checks sent to Federal reserve banks for collection but which were not collected because of the failure of the drawee banks. Such litigation is expensive, delays the final settlement of the affairs of insolvent member banks, and results in unfavorable criticism of the Federal reserve banks. A uniform policy strictly adhered to by all Federal reserve banks would remove much of this uncertainty, expedite final settlement of the affairs of insolvent member banks and will certainly result in more harmonious court decisions definitely fixing the rights and liabilities of the Federal reserve banks and removing the confusion and uncertainty which now exists.

It is impossible to obtain absolute unanimity of agreement as to what this uniform policy should be; but this is a case where, for the good of all concerned, it is better to let the majority rule and for the minority to yield their views in the interests of the general good. Much progress has been made in the formulation and recommendation of a uniform policy through the majority voteof the Conference of Counsel and the adoption of this policy by the Governors' Conference; and I believe that, in order to derive the maximum benefit from the action which has already been taken by the Governors' Conference, the Board should approve the uniform policy adopted by the Governors' Conference and request all of the Federal reserve banks to comply strictly with such policy. It is especially appropriate that the Board should do so in this case, because the policy really is an interpretation and application of the provisions of a regulation promulgated by the Federal Reserve Board.

In my opinion the uniform policy recommended by the Conference of Counsel and adopted by the Governors' Conference is in entire harmony with the purposes of Section V of Regulation J as promulgated by the Federal Reserve Board and contains a correct interpretation and application of that regulation. It is for this reason that I have recommended that the Board approve such policy.

PROPOSED AMENDMENTS TO REGULATION J.

The proposed amendment to Paragraph (4) of Section V of Regulation J is really in the nature of a clarifying amendment and was recommended unanimously by all of the counsel, since it was contained in both the majority and minority reports.

I have suggested two slight changes in the phraseology of the amendment recommended by the counsel: (1) in order to preserve the requirement that member banks and nonmember clearing banks not only remit at par for checks sent to them but also remit in one of the forms of remittance specified in the Regulation, I have made the entire paragraph a single sentence, instead of dividing it into two sentences as suggested by the counsel; and (2) I have suggested that the words "telegraphic transfers of bank credits" be substituted for the words "other funds or transfers", which appeared in the draft prepared by the Conference of Counsel, because I consider that language too broad and indefinite. I believe that the amendment as redrafted by me and as set forth on the first page of this memorandum would accomplish everything intended to be accomplished by the Conference of Counsel.

The proposed amendment to paragraph (6) of Section V of Regulation J recommended by the Conference of Counsel suggests no change in the existing language of that paragraph, but merely adds a new sentence, the purpose of which is to make clear that the owner or holder of a check charged back to the endorsing bank because payment in actually and finally collected funds was not received by the Federal reserve bank shall have no lien or right of recourse upon the reserve balance or capital stock investment of the drawee bank or any collateral pledged by the drawee bank with the Federal reserve bank or any other property of the drawee bank in the possession of the Federal reserve bank. It is not intended to prevent anyone having a claim against the Federal reserve bank from enforcing their rights against the Federal reserve bank. Nor would it prevent the Federal reserve bank from offsetting the amount of any check owned by the Federal reserve bank, or of which the Federal reserve bank had virtually become the owner through having become liable for the amount therof as a result of negligence on its part against the reserve balance of the drawee bank, the collateral pledged with the Federal reserve bank by the drawee bank, or the capital stock investment of the drawee bank.

It is believed that this amendment will prevent the tying up of funds or property of member banks in the hands of the Federal reserve bank pending litigation to determine the rights of the respective parties and will thus expedite the final settlement of the affairs of insolvent member banks. By clearly defining the rights and liability of all persons having an interest in checks collected through

the Federal reserve banks it should also lessen the chances of litigation. This is in accordance with the fundamental purpose of the whole of Section V of Regulation J, which really specifies the terms of a contract to be entered into between the Federal reserve bank and all banks for which it undertakes to collect checks and clearly defines the respective rights and liabilities of both parties to such contract.

In the form of amendment recommended on the first page of this memorandum, I have endeavored to clarify the language of the new sentence which the Conference of Counsel recommended to be added to this paragraph. As recommended by the Conference of Counsel, this new language applies only to the "owner or holder" of any check so charged back and thus might be held not to apply to the bank which sent the check to the Federal reserve bank for collection and which, under the terms of Paragraph (1) of Section V of Regulation J, is the only party having any privity contract with the Federal reserve bank. I have, therefore, changed the first part of the sentence to read, "In such event, neither the owner or holder of any such check, nor the bank which sent such check to the Federal reserve bank for collection, shall have any right", etc. I have also inserted the words " of the drawee bank" immediately after the word "property", in order to make it clear that the purpose of this amendment is not to protect the property of the Federal reserve bank from levy or execution where the Federal reserve bank is held liable for negligence. In other words, I wish to make it clear that the amendment applies only to property of the drawee bank in the hands of the Federal reserve bank and does not apply to the property of the Federal reserve bank itself.

The changes of phraseology which I have recommended do not make any material change in the substance of the amendment recommended by the Conference of Counsel and I am sure that they are entirely in harmony with the purpose of the amendment recommended by the Conference of Counsel.

OTHER POSSIBLE AMENDMENTS

There are certain other amendments to Regulation J which I think might profitably be adopted at an appropriate time; and I have given very serious consideration to the question whether such other amendments ought to be adopted at this time. Such other amendments, however, could not very well be adopted without first consulting all of the Federal reserve banks and this would result in much additional delay and probably in further differences of opinion. In view of the fact that a uniform policy has already been agreed upon by the Governors' Conference and certain amendments have been recommended

by the Governors' Conference, therefore, I believe it would be better to adopt at this time the amendments which have been recommended and to leave the question of any further amendments for consideration when the Board next undertakes a general revision of all its Regulations.

CONCLUSION

I, therefore, believe that the best disposition of this matter at the present time would be for the Board to adopt the recommendations which I have made on the first page of this memorandum and send out the attached letter to all Federal reserve banks.

Respectfully,

Walter Wyatt,
General Counsel.

Papers Attached.

WW: vdb - sad

REPORT OF MINORITY COMMITTEE

We, the undersigned, representing the Federal Reserve Banks of Chicago, Minneapolis, Philadelphia and Richmond, are unable to concur in the recommendation of the majority of the Conference of Counsel and in lieu of the amendment recommended by the majority we recommend that paragraph 4 of Section V of Regulation J be amended to read as follows:

> "(4) Checks received by a Federal reserve bank on its member or nonmember clearing banks will ordinarily be forwarded or presented direct to such banks and such banks will be required to remit or pay therefor at par. Such remittance or payment may be made in cash, by bank draft acceptable to the collecting Federal reserve bank, by other funds or transfers acceptable to the collecting Federal reserve bank, or by authorizing the collecting Federal reserve bank to charge their reserve accounts or clearing accounts."

The object of this amendment is merely to clarify the meaning of the existing paragraph.

We recommend that paragraph 6 of Section V of Regulation J be amended so as to have it read as follows:

> "(6) The amount of any check for which payment in actually and finally collected funds is not received may be charged back to the forwarding bank regardless of whether or not the check itself can be returned, but the Federal reserve bank may charge the amount of any check not returned unpaid to the reserve account or clearing account, as the case may be, of the bank from which such payment was not received, and may hold any other property of such bank in its possession as security for payment of such check. The right so to do shall, however, be subordinate and without prejudice to all other rights of the Federal reserve bank upon such reserve account and clearing account and to such other property in its possession."

Our reasons for recommending the amendment last mentioned are as follows:

The Federal Reserve Board in promulgating Regulation J has stated that it desires to afford to the public and to the various banks of the country a direct, expeditious, and economical system of check collection

and settlement of balances and for that purpose has arranged to have each Federal reserve bank exercise the function of a clearing house and collect checks for such of its member and non-member clearing banks as desire to avail themselves of the privilege and the Board further required in its Regulation that each Federal reserve bank shall exercise the function of a clearing house and collect checks under the general terms and conditions thereinafter set forth and that each member bank and non-member clearing bank shall cooperate fully in the system of check clearance and collection for which provision is made in the Regulations. When the Federal reserve banks were made clearing houses for their member banks we think it was not contemplated that the banks on which checks were drawn should be at liberty to convert the checks and place the owners of checks presented through the clearing system in the position of creditors of an insolvent bank. This amendment is suggested from the point of view that the Federal Reserve Board should make provision for holding each member of the clearing house as far as possible to its obligation to the other members of the clearing house.

Whenever a check is cancelled by the drawee bank and charged to the account of the drawer, the drawer is by the great weight of authority released from liability to the holder and the holder is required to look to the drawee bank. The holder seldom knows or has opportunity to investigate the condition of the bank upon which a check held by him is drawn. Hence, when he is forced to release the drawer, his original debtor, and to assume the position of a creditor of the drawee bank and sustains any loss because such bank fails to remit or pay for a check which has been cancelled so that he can neither obtain the return of the check nor collect the amount of it, the holder feels that he has a just cause of dissatisfac-

tion with the System which has placed him in this position.

Since the check collection system was, as we have pointed out above, established primarily for the safety, convenience, and benefit of the business public, it is highly desirable to avoid losses to the public from such a situation whenever it is possible to do so and such losses can be avoided in most cases if the Federal reserve bank has the right to resort to the reserve balance of a failed member bank and to the proceeds of existing collateral to protect the holders of checks deposited for collection after the prior demands of the Federal reserve banks are satisfied.

We consider that the primary purpose of the reserve balance is to enable the member banks to meet withdrawals and the principal way in which withdrawals are made is by checks drawn on the member bank, most of which are presented through the Federal reserve banks. Hence, the reserve deposit of a member bank in the hands of a Federal reserve bank may appropriately and consistently within the spirit of the Federal Reserve Act be made applicable to the payment of checks presented through the Federal reserve banks rather than held as a protection for the general creditors of the member bank.

We are informed that commercial banks in the past, while limiting their liability for failure to collect checks deposited with them, have, nevertheless, used any funds or property in their possession belonging to the drawee bank for the benefit of endorsers. Practically all judicial decisions that have come to our attention are in accord in sustaining the right of the forwarding bank to do this and we believe that Federal reserve banks should adopt the position so sanctioned by the prior usage of commercial banks in collecting checks and afford to the depositors complete protection against the default of the drawee bank when it is practicable to

do so.

We do not think that this plan, which we recommend, gives any undue preference to persons collecting checks through Federal reserve banks, for such persons only obtain payment on checks on which the drawers are released and which are, therefore, deemed paid so far as the drawers, who are the depositors of the failed bank, are concerned.

Federal reserve banks are frequently under compulsion to forward items direct to a member bank known to be in an extended condition. To send a messenger to collect in cash in such a case would often result in the suspension of the drawee bank, owing to a mere temporary shortage of available funds. Yet any other method of collection in such a case might constitute negligence and create liability on the part of the Federal reserve bank to depositors of checks. The policy we suggest has the advantage of reducing such liability, which we believe is unavoidable in many cases, to a minimum.

For the Federal Reserve Bank of Chicago.

For the Federal Reserve Bank of Minneapolis.

For the Federal Reserve Bank of Philadelphia.

For the Federal Reserve Bank of Richmond.

PROPOSED AMENDMENT TO REGULATION J.

(Prepared by Mr. Wyatt in July, 1929, but not sent out)

SECTION V. TERMS OF COLLECTION.

The Federal Reserve Board hereby authorizes the Federal reserve banks to handle such checks subject to the following terms and conditions; and each member and nonmember clearing bank which sends checks to any Federal reserve bank for deposit or collection shall by such action be deemed (a) to authorize the Federal reserve banks to handle such checks subject to the following terms and conditions, (b) to warrant its own authority to give the Federal reserve banks such authority, and (c) to agree to indemnify any Federal reserve bank for any loss resulting from the failure of such sending bank to have such authority.

(1) A Federal reserve bank will act only as agent of the bank from which it receives such checks and will assume no liability except for its own negligence and its guaranty of prior indorsements.

(2) A Federal reserve bank may present such checks for payment or send such checks for collection direct to the bank on which they are drawn or at which they are payable, or in its discretion may forward them to another agent with authority to present them for payment or send them for collection direct to the bank on which they are drawn or at which they are payable.

(3) A Federal reserve bank may, in its discretion and at its option, either directly or through an agent, accept in payment of or in remittance for such checks:

(a) Cash,

(b) Bank drafts,

(c) Telegraphic transfers of bank credits, or

(d) Specific authorizations for such Federal reserve bank to charge to the reserve accounts or clearing accounts of the paying or remitting banks the amounts for which payment or remittance is to be made. *

The Federal reserve bank shall not be liable for the failure of the drawee bank or any agent to remit for such checks, nor for any loss resulting from the acceptance, in lieu of cash, of any other form of payment or remittance authorized herein, nor for the nonpayment of any bank draft, telegraphic transfer of bank credit or authorization to charge the reserve account or clearing account which may be accepted in payment or as a remittance from the drawee bank or any agent.

*(Foot Note: An authorization to charge the reserve account or clearing account of the paying or remitting bank should preferably be in the form of a bank draft drawn by such paying or remitting bank on the Federal reserve bank; but, where deemed advisable for practical reasons, and by previous arrangement with the Federal reserve bank, an informal authorization may be used, provided it is in writing, is for a specific amount and is given in remittance or payment for a specific "cash letter" or "cash letters." No Federal reserve bank shall accept or act upon a general authorization to charge the amount of any and all checks to the reserve account of a drawee bank."

(4) Where a member bank or a nonmember clearing bank undertakes to make a payment or remittance for checks handled pursuant to the terms of this regulation by draft or other order drawn upon the Federal reserve bank or by authorizing the Federal reserve bank to charge the amount thereof to the reserve account or clearing account of such member bank or nonmember clearing bank, such draft, order or authorization shall be subject to acceptance by the Federal reserve bank in its discretion, and shall not be deemed a payment or remittance until it has been received by the Federal reserve bank and the charge has actually been entered on the books of the Federal reserve bank. No draft, authorization to charge the reserve account or clearing account, or other order upon funds of a paying or remitting bank in the possession of a Federal reserve bank, issued for the purpose of paying or remitting for checks handled under the terms of this regulation, shall be paid or honored after receipt by such Federal reserve bank of official notice of the suspension or closing of such paying or remitting bank for insolvency. Where such a charge is made inadvertently after receipt of such notice, the book entry may be reversed at any time before the close of business on the same day and, when this is done, the situation shall be deemed to be the same as if such charge had never been made.

(5) Checks received by a Federal reserve bank drawn on its own member or nonmember clearing banks will ordinarily be forwarded or presented direct to such banks, and such banks will be required to remit or pay therefor at par in one or more of the forms of payment or remittance authorized under paragraph (3) hereof.

(6) Checks received by a Federal reserve bank payable in other

districts will be forwarded for collection upon the terms and conditions herein provided to the Federal reserve bank of the district in which such checks are payable.

(7) Bank drafts received by a Federal reserve bank in payment of or in remittance for checks handled under the terms of this regulation will likewise be handled for collection subject to all the terms and conditions of this regulation.

(8) The amount of any check for which payment in actually and finally collected funds is not received shall be charged back to the forwarding bank, regardless of whether or not the check itself can be returned. In such event, neither the owner or holder of any such check nor the bank which sent such check to the Federal reserve bank for collection shall have any right of recourse upon, interest in, or right of payment from, any fund, reserve, collateral or other property of the drawee bank in the possession of the Federal reserve bank.

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FEDERAL RESERVE BANK

OF ATLANTA

March 13, 1930.

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

Dear Mr. Wyatt:

I thank you for your telegram, advising that the Supreme Court has sustained the Circuit Court of Appeals in the case of Early, Receiver, v. Federal Reserve Bank of Richmond. Needless to say, I was disappointed as well as surprised. I subscribe to the U. S. Daily and will, of course, look forward with interest to the issue of March 13, in which you state that the opinion will be published in full.

Even though the decision is based upon the provisions of the Richmond Bank's check collection circular and no reference is made to Regulation J, I am afraid that its consequences will be far reaching.

I take the liberty of suggesting that you consider the advisability of calling a conference of counsel as soon as convenient. I feel sure that in Atlanta we will be in doubt as to the safe and proper procedure to be followed in the future.

With personal regards, I am

Very truly yours,

(Signed) Robt. S. Parker.

RSP/w.

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March 13, 1930.

Mr. M. G. Wallace, Counsel,
Federal Reserve Bank of Richmond,
Richmond, Virginia.

Dear Mr. Wallase :

Please accept my sincere congratulations upon your victory in the Early case.

I congratulate you because you have won a victory in a case in which nearly everybody, including myself, was against you and hoping that you would lose. However, to be entirely frank, I must say that I can not be very enthusiastic about your victory because I fear its consequences.

Mr. Justice Holmes did exactly what I feared, and said in the opinion that :

> "The language of the circular pointed to the depositor's interest- for the cash letter that was to be charged was merely another name for the checks that the letter contained. The existence of the power must be assumed to have been one of the considerations inducing the owner of the check to give the Richmond bank authority to send it directly to the drawee. All parties must be taken to have understood that in the event that happened it was the duty of the Richmond bank when it knew the facts to charge the reserve account of the South Carolina bank, and if so the account should be charged."

If within the period of the statute of limitations, the Federal Reserve Bank of Richmond, or any other Federal reserve bank which reserved the right to charge checks to the reserve balance at any time, has failed to do so, even after the insolvency of the drawee bank, I should dislike very much to have to defend such Federal reserve bank in a suit for the amount of such checks on the ground that it was negligent in not exercising its right to charge them to the drawee bank's account. Fortunately, Mr. Justice Holmes made no reference to Regulation J, but based his decision entirely upon the terms of your check collection circular. In view of these facts, I hope that Federal reserve banks which did not reserve the right to charge checks to the reserve account at any time will be able to distinguish this case; but I fear that they will have suits against them nevertheless, just as they had many suits growing out of the Supreme Court's decision in the Malloy case. Let us hope that my fears are unjustified and that no such unfortunate results will follow.

Very truly yours,

Walter Wyatt,
General Counsel.

WW OMC

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FEDERAL RESERVE BANK

OF ATLANTA

March 15, 1930.

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

Dear Mr. Wyatt:

I have read with care the decision of the Supreme Court in the Early case as reported in the U. S. Daily. The decision is much less harmful than I had anticipated. As stated in your wire, the opinion is predicated solely upon the provisions of the Check Collection Circular of the Richmond bank and the effect of Regulation J was not considered.

Much of the decision may be helpful. For example, the statement that "all parties must be taken to have dealt upon the terms of the Circular" and "the latter"(Richmond bank) "received the checks for collection with responsibility only for its own negligence."

Of course the decision brings to the fore the much mooted question as to whether or not a Federal Reserve Bank, having the power under Regulation J to charge reserve accounts at any time, etc., would be liable for a failure to make such reservation in its check collection circular. Fortunately, however, the Regulation has itself been changed and the danger of suits based upon causes of action antedating the effective date of the revised regulation is rapidly diminishing. The court makes it perfectly plain that, in its opinion, it was the "duty of the Richmond Bank, when it knew the facts, to charge the reserve account of the South Carolina Bank." A related question is whether it might not have been the duty of other Federal Reserve Banks to have made similar reservations for the protection of "depositors' interests".

While the Federal Reserve Bank of Atlanta in its old Collection Circular reserved the right to charge reserve accounts, such right was so limited

Mr. Walter Wyatt,

as to be applicable only to cash letters for which remittances had not been received in accordance with the time schedule.

Since reading the decision the necessity for a conference of counsel on this particular matter is not so apparent as appeared when the news of the decision first reached me. I do think, however, that careful consideration should be given the further revision of Regulation J in accordance with the suggestions which have been submitted. Personally, I believe that a revision along the lines mapped out at the last conference would be advisable. Whether or not strictly necessary from a legal standpoint, such further change might prevent future litigation.

With regards, I am

Very truly yours,

(Signed) Robt. S. Parker.

RSP/w.

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FEDERAL RESERVE BANK

OF RICHMOND

March 15, 1930.

Federal Reserve Board,
Washington, D. C.

Attention: Mr. Walter Wyatt, General Counsel.

Dear Mr. Wyatt:

I received your letter of March 13th and appreciate highly your congratulations. I know that you cannot be enthusiastic about the opinion of the court, but after reading it I am fully persuaded that you were right when you told me that Justice Holmes was perhaps the ablest member of the court. I sincerely hope that none of the other Federal Reserve banks will find themselves in difficulties because of this decision, but I think you are right in saying that it would be difficult to defend a Federal Reserve bank which had reserved in its circular a right to charge cash letters to the reserve account but had not make this charge after the member bank failed.

With kindest regards, I am,

Very truly yours,

(Signed) M. G. Wallace,
Counsel.

MGW L

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FEDERAL RESERVE BANK

OF RICHMOND

March 18, 1930.

Federal Reserve Board,
Washington, D. C.

Attention: Mr. Walter Wyatt, General Counsel.

Dear Mr. Wyatt:

I have your letter of March 17th enclosing a copy of the decision of the Supreme Court of the United States in the case of Early, Receiver, v. Federal Reserve Bank of Richmond, and I notice your request for my views as to the advisability of calling a conference of the Counsel of all Federal Reserve banks at an early date.

I have no fixed engagements for the next six weeks except a case in Charlotte, N. C,, on April 17th. The case may consume several days so I should not like to make an engagement between April 15th and April 20th. Therefore, any time fixed for a conference will be agreeable to me.

I realize that my view of the present situation is so different from that of Mr. Parker and others that my opinions as to the advisability of a conference are of little value, but I cannot see that anything can be accomplished by a conference of Counsel at the present time. When we held our last conference, we had the opinion of the Circuit Court of Appeals before us. The opinion of the Supreme Court is based upon substantially similar grounds. The language of Mr. Justice Holmes, to which you allude in your letter, is no stronger than that used by Judge Parker in the Circuit Court of Appeals. The latter says:

> "The owners had the right to demand that they (the checks) be charged against the drawee's account and that the balance in that account be applied by the Federal Reserve Bank to their payment."

If the owners had the right to demand that the checks be charged to the reserve balance, then obviously it was a duty of the Federal Reserve Bank to make the charge. It therefore seems to me that Mr. Justice Holmes and Judge Parker have said in substance the same thing.

At our last conference I believe we assumed as a basis of proceeding that the opinion of the Circuit Court of Appeals was for the time being the law and our chief discussion was as to the policy of continuing to employ contracts or circulars which might be construed as the Circuit Court of Appeals construed the circular of this bank. It therefore seems to me that any conference held at present could result only in a reargument of questions of policy which could more appropriately be considered by the Governors.

I would suggest, therefore, that if a conference of Counsel is called, it should be called to meet either at the same time or after the next

conference of Governors.

With best personal regards, I remain,

Very truly yours,

(Signed) M. G. Wallace,
Counsel.

MGW L

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FEDERAL RESERVE BANK

OF

ST. LOUIS March 18, 1930.

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

RE:- EARLY vs. F.R.B. OF RICHMOND

Dear Mr. Wyatt:

I have just received your letter of March 17th enclosing copy of the opinion in the EARLY case, and, as requested, am hurriedly giving you my first impression of the effect of the opinion on future litigation.

The Court had before it the provisions found in Paragraph 4 of the Sec. V of Regulation 'J' authorizing:

> "Any Reserve bank to reserve the right in its Check Collection Circular to charge such items to the reserve or clearing account of any such bank, at any time, when in any particular case the Federal Reserve Bank deemed it necessary to do so;" and

the Richmond circular, in which this right was expressly reserved. Further, while it is not referred to in the opinion, the Richmond bank (if I am correctly informed) was using the schedule date 'charge account method' exclusively.

I have no criticism to offer to the opinion based on what the Court had before it. I believe the reasoning is logical, and the opinion sound.

It is unfortunate that the Court had to lay such special stress on the duty of the Richmond bank to make the charge; for, while I think it clear, from the context of the paragraph in which the word duty is used, the Court had in mind the right and duty under the Richmond circular. Nevertheless, it might be plausibly argued that since the Regulation gives to the Reserve Bank the authority to reserve this right in its check collection circular, it is the duty of the bank to charge the item against the reserve account irrespective of whether it has reserved the right to do so in its circular letter.

Some Court, adopting this suggestion, might hold that since the Regulation gave the authority to a Federal Reserve bank to reserve this right, it would be liable for any loss occasioned by its failure to reserve the right in its circular letter, and, to charge the reserve account when occasion demanded it.

I think all of us had this possibility in mind when the changes in Regulation 'J' were recommended at our last Conference, later approved by the Governors' Conference, and, adopted by the Federal Reserve Board. (See Board letter X-6389, dated Oct. 16, 1929, and the indefinite postponment of these amendments, Mr. McClelland's telegram of Dec. 17, 1929.)

We have always operated under the remittance plan instead of the charge account plan, nevertheless, after the Early suit was brought, we changed our Circular letter by eliminating this reservation.

I believe with the suggested changes in the Regulation, and, the elimination of this reservation from the circulars, the EARLY opinion will not give the System any trouble. Nevertheless, the question is one of such ever

present concern, I believe it would be well worth while to go over this question in Conference of Counsel to determine whether, in the light of the Early opinion, we have safe-guarded the banks in every known way.

The forgoing comments represent my views after a very hasty study of the opinion.

With kindest regards,

Very truly yours,

(Signed) Jas. G. Mc Conkey,
Counsel.

C O P Y

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LOCKE, LOCKE, STROUD & RANDOLPH,
American Exchange Building,
DALLAS, TEXAS.

March 19, 1930.

Federal Reserve Board,
Washington, D. C.

Attention:. Walter Wyatt, General Counsel.

Gentlemen:

We have your letter of March 17, 1930, enclosing a copy of opinion in the case of Federal Reserve Bank of Richmond v. Early.

As we view the matter, the opinion rests entirely upon the contractural provision of the portion of the circular of the Federal Reserve Bank of Richmond quoted in the opinion and, in our minds, we cannot help but emphasize the statement of the supreme court immediately preceding this quoted provision as follows:

> "The relations between the two banks were fixed by the following terms of a circular of the Richmond bank which were authorized by law and agreed to by the other."

Under these circumstances, to our minds, the opinion becomes a fact decision and we are inclined to believe will possibly result in more good than harm to the system in that it upholds the rights of Federal reserve banks to effect contractural relations of this character.

Nevertheless, the language employed by Mr. Justice Holmes referred to in the second paragraph of your letter is not unlikely to cause a great deal of litigation and, therefore, we agree with Mr. Parker that some uniform and concerted action should be taken to reduce litigation arising from this case to a minimum. Such action, we think, can best be had as a result of a conference as suggested by Mr. Parker.

Very truly yours,

(Signed) Locke Locke Stroud & Randolph.

EBS:m

C O P Y

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LOCKE, LOCKE, STROUD & RANDOLPH,
American Exchange Building,
DALLAS, TEXAS.

April 9, 1930.

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

Dear Mr. Wyatt:

We hand you herewith copy of a letter addressed to the Federal Reserve Bank of Dallas by the firm of Breed, Abbott and Morgan of New York, together with a copy of our reply thereto. This is one of several similar letters which we have received since the failure of The Texas National Bank of Ft. Worth. Likewise, since the decision in the Early case, similar questions are developing in connection with each failure.

The Texas National Bank of Ft. Worth is indebted to the Federal Reserve Bank of Dallas for a considerable sum. The receiver is ready to retire the indebtedness, and in the event he does so he will of course wish to offset all sums held by the Federal Reserve Bank of Dallas, including reserve balance (now containing deferred items), capital stock refund and collections on collateral. The question which presents itself is whether or not, under the circumstances, a Federal Reserve bank should hold sufficient money to protect itself against any possible liability on the cash letters involved.

In view of the fact that these questions are arising so frequently and involve, at least in this instance, rather large sums, we are calling the matter to your attention and renewing the suggestion made some time ago by Mr. Parker that a conference be called to consider these questions. We believe that a conference should be a joint conference, with a representative of the Comptroller's office, and with a view of attempting to reach some amicable agreement on just how these matters should be handled.

While we strongly recommend that a full conference of all counsel be called, we think, if the board should not be willing to do this, it would be well to call a conference of counsel of some five or six Federal Reserve banks, which we would say should at least include Dallas, Kansas City,

Atlanta and San Francisco (we suggest these banks because we believe the question is arising more frequently in these districts, but, as stated, we feel that all counsel should be included in the conference if possible), for the purpose of conferring about these matters and possibly arranging some mutually satisfactory solution of the matter with the office of the Comptroller of the Currency.

Yours very truly,

(Signed) Locke Locke Stroud & Randolph.

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encls.

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BREED, ABBOTT & MORGAN

15 Broad Street

New York

March 29, 1930.

Federal Reserve Bank of Dallas,
Dallas,
Texas.

re Receivership of Texas National Bank of Fort Worth

Gentlemen:

Our client, M. C. D. Borden & Sons, Inc., received from the Monnig Dry Goods Company, one of its customers, a check dated January 24, 1930 for the amount of $1204.09, drawn by them on the Texas National Bank of Fort Worth.

This check was deposited in the Bank of Manhattan Trust Company on January 27, 1930 and then forwarded by them in the usual course of business. It is reported to have reached your bank, where on January 30th it was forwarded by you in your regular cash letter to the Texas National Bank of Fort Worth, by whom it was received on January 31, 1930. The Texas National Bank of Fort Worth thereupon appears to have charged it to the account of the Monnig Dry Goods Company and then to have forwarded to you its draft drawn on yourselves in the sum of $45,931.26, which included said sum of $1204.09. This draft we have been told was not paid by your bank due to the intervening receivership of the Texas National Bank of Fort Worth.

We are interested in determining whether our client, M. C. D. Borden & Sons, Inc., or its customer the Monnig Dry Goods Company should stand the loss and prove its claim as a general creditor against the Texas National Bank of Fort Worth. In order to do this it is necessary for us to ascertain certain facts in regard to the general practice used in your locality in transmitting and collecting checks. We should appreciate it greatly if you would be so kind to help us in this matter and let us know the following:

1. Whether any agreement exists between your bank and the Texas National Bank of Fort Worth with respect to such collections.

2. Whether this agreement is in the nature of a circular of your bank which was authorized by law and agreed to by the Texas National Bank of Fort Worth to the effect that:

> "Checks received by us drawn on our member banks will be forwarded in cash letters direct to such banks and each member bank will be required either to remit therefor in immediately available funds or to provide funds available to us to meet such cash letters within the agreed transit time to and from the member bank. Therefore, the amount of any cash letter to a member bank is chargeable against available funds in the reserve account of such member at the expiration of such transit time, which date will be shown on each cash letter. The right is reserved, however, to charge a cash letter to the reserve account of a member bank at any time when in any particular case we deem it necessary to do so."

(The above wording is taken from the recent case, No. 12,301, of Early v. Federal Reserve Bank of Richmond, decided by the Supreme Court of the United States on March 12, 1930).

3. What action, if any, has been taken since the receivership by your bank in respect to any funds or reserve balance held by you for the account of the Texas National Bank of Fort Worth.

4. Whether the balance of the Texas National Bank of Fort Worth in your hands at the time of the receivership was greater than the amount of their said draft for $45,931.26.

5. What disposition was made by your bank in regard to this draft for $45,931.26 drawn on yourselves by the Texas National Bank of Fort Worth.

We thank you for any information you can give us in this matter.

Yours very truly,

(Signed) Breed, Abbott & Morgan.

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April 9, 1930.

Messrs. Breed, Abbott & Morgan,
15 Broad Street,
New York City.

Gentlemen:

Your letter of March 29, 1930, address to the Federal Reserve Bank of Dallas, has been referred to us for reply.

In response to question No. 1 propounded in your letter, we are enclosing for your information a copy of the current circular on transit operations. This circular contains the only agreement of any kind between the Federal Reserve Bank of Dallas and The Texas National Bank of Ft. Worth concerning transit operations.

The second question propounded in your letter is perhaps answered in the circular which we enclose. However, you will observe that the Federal Reserve Bank of Dallas has no such provision as that referred to in the case of Early v. Federal Reserve Bank of Richmond. In this connection, we might advise that the Federal Reserve Bank of Dallas has never followed the plan of collection which was in use by the Federal Reserve Bank of Richmond at the time of the development of the facts in the Early case. The Federal Reserve Bank of Dallas has for many years followed the plan which is generally outlined in the circular enclosed. The Federal Reserve Bank of Richmond and the Federal Reserve Bank of Philadelphia are, in so far as we know, the only two banks of the twelve Federal Reserve banks that ever followed the plan involved in the Early case, and we understand those two banks have now abandoned that plan.

We think it improper to give you the information called for in the third question of your letter, inasmuch as a full reply would divulge information of a more or less confidential nature between Federal Reserve Bank of Dallas and the receiver of The Texas National Bank of Ft. Worth. We have no objections whatever to your having the information, and if the receiver wishes to give it to you, it will be agreeable in so far as the Federal Reserve Bank of Dallas is concerned.

We doubt the propriety of giving you the information called for in the fourth paragraph of your letter, but we can say to you, generally, that the balance in the reserve account of The Texas National Bank of Ft. Worth at the time it suspended business is now the question of dispute between the Federal Reserve Bank of Dallas and the receiver of The Texas National Bank of Ft. Worth. The latter claims a balance in said account of

approximately $12,000; the Federal Reserve Bank of Dallas, on the other hand, on account of circumstances in which you are not interested, contends that said account is overdrawn in the sum of approximately $38,000. In addition to the reserve account, The Texas National Bank of Ft. Worth had a deferred account, consisting of checks and drafts in process of collection, containing sums sufficient, irrespective of the contentions of the receiver of The Texas National Bank of Ft. Worth or the Federal Reserve Bank of Dallas, to have made a sum in excess of $46,000. The amounts of the deferred account, however, could not have been withdrawn by The Texas National Bank of Ft. Worth without the consent of the Federal Reserve Bank of Dallas at the time the Ft. Worth bank suspended business.

In response to the inquiry contained in the fifth question of your letter, we may advise that the checks for which the $45,931.26 draft was drawn were forwarded to The Texas National Bank of Ft. Worth on the night of January 30, 1930. Under the plan of collection in force and followed by the Federal Reserve Bank of Dallas, remittance for these items was due February 1, 1930. The Texas National Bank of Ft. Worth was open until the close of business on January 31, 1930, and was closed by its board of directors either on the night of January 31, 1930, or in the early morning of February 1, 1930. In any event, The Texas National Bank of Ft. Worth did not open for business on February 1, 1930, and the Federal Reserve Bank of Dallas was advised officially that the bank was closed immediately following the action of the board of directors in ordering its close. The draft for $45,931.26 (if such was the amount) was not received by the Federal Reserve Bank of Dallas until February 1, 1930, after the Federal Reserve Bank of Dallas had been officially advised that The Texas National Bank of Ft. Worth was closed, and, accordingly, the Federal Reserve Bank of Dallas could not pay the draft, and thereupon immediately charged back to its endorsers the items forwarded on January 30, 1930.

We hope that the foregoing information will be sufficient for your purposes. We do not care to conceal any information whatever. The only reason that we are not giving you more detailed information is because of the fact that we feel a confidential relationship to exist between the Federal Reserve Bank of Dallas and its member banks, or, in the event the member bank is closed, the receiver thereof.

The Federal Reserve Bank of Dallas, since about 1921, has followed the plan of forwarding items for collection and remittance, and while the details of the circulars have been changed from time to time, the Federal Reserve Bank of Dallas has never at any time followed the plan of charging checks sent for collection to the accounts of the drawee banks, as was the practice of the Federal Reserve Bank of Richmond until a year or two ago. A number of cases have arisen with Federal Reserve banks following a plan identically similar to the plan of collection followed by the Federal Reserve Bank of Dallas, which no doubt you have seen in your investigation.

If we have not clearly answered your questions, or in the event you desire further information which we can properly give you, please advise.

Yours very truly,

EBS-h
encls.

COPY

X-6595-i

486

LOCKE, LOCKE, STROUD & RANDOLPH,
American Exchange Building,
DALLAS, TEXAS.

April 25, 1930.

Federal Reserve Board,
Washington, D. C.

ATTENTION MR. WALTER WYATT, GENERAL COUNSEL.

Dear Mr. Wyatt:

The indebtedness of the Texas National Bank of Fort Worth to the Federal Reserve Bank of Dallas is rapidly being liquidated to the point where the Federal Reserve Bank can entirely liquidate the debt by making application of the reserve balance.

The Texas National Bank of Fort Worth failed to open on the morning of February 1st. January 30th the Federal Reserve Bank sent a cash letter aggregating approximately $49,000.00, remittance for which was due on the morning of February 1st.

As we have previously advised you, several claims of liability have been asserted against the Federal Reserve Bank of Dallas on the strength of the case of Federal Reserve Bank of Richmond vs. Early.

Inasmuch as the reserve balance of the Texas National Bank of Fort Worth with the Federal Reserve Bank of Dallas amounts to approximately $90,000.00, we are in doubt as to whether we should apply against the rediscount liability the whole of the amount or only that portion in excess of $49,000.00.

We have not heard from you with reference to the conference which Mr. Parker suggested sometime ago and which we likewise suggested. We would appreciate being advised what you propose to do in this respect, and in the event you do not comtemplate calling a conference within the immediate future we would appreciate your letting us know what other Federal Reserve Banks have done under similar circumstances.

Very truly yours,

Locke Locke Stroud & Randolph.

EBS:g

C O P Y X-6595-i-1 487

TELEGRAM

FEDERAL RESERVE SYSTEM
(LEASED WIRE SERVICE)

RECEIVED AT WASHINGTON, D. C.

243 gb

Dallas Apl 29 245 p.
Wyatt

Washington

It is my thought agreement could be obtained with comptrollers office permitting reserve banks to withhold amount of cash letters involved from the reserve balance a reasonable time to determine whether or not litigation will ensue however believe this is a matter which should receive consideration by various reserve banks before any attempt made to secure such agreement.

Stroud

411p

C O P Y

X-6595-1-2 488

April 29, 1930.

Stroud,
Dallas.

Your letter April 25 urging conference of counsel re Early decision. Action on matter has been delayed here owing to pressure of other matters. Will bring matter to Board's attention at first opportunity and wire you result. There is quite a difference of opinion among counsel as to advisability of holding conference. Since it has never reserved right to charge reserve account, see no reason why your bank should be concerned over decision in Early case.

Wyatt

WW sad

COPY

X-6596

489

FEDERAL RESERVE BANK OF SAN FRANCISCO

April 18, 1929.

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

Dear Mr. Wyatt:

As you know, I had to go to Pocatello on my way back to San Francisco to argue a case before the Supreme Court there. My return here was thus delayed until the 15th instant.

Since my return, I have discussed with the officers of this bank, particularly with Mr. Clerk, the suggested amendment to paragraph 6, Section V of Regulation J, adopted at the recent Conference of Counsel.

Mr. Clerk and I both feel (and in this conclusion Governor Calkins concurs) that it would be well to add to this paragraph a provision definitely stating that drafts, or other forms of payment from reserve balances of remitting banks, will not be functioned after receipt by the Federal Reserve Bank of notice of suspension of the remitting bank. The addition of such a provision would remove from the paragraph in question all doubt as to whether or not such charges against reserve balances are optional with the Federal Reserve Bank after notice of suspension.

A situation might very easily arise where the remitting bank would forward to the Federal Reserve Bank an authorization to charge or a draft upon its reserve balance which would be received simultaneously with or after notice of suspension of the remitting bank. As the Regulation with the amendment auggested by the Conference of Counsel reads, there would still be room for argument as to whether or not the Federal Reserve Bank should have charged the items back. While it is true that the Regulation with the suggested amendment states that the owner or holder of a cash item shall have no proprietary right in funds of the remitting bank held by the Reserve Bank after the item is charged back, the question still arises as to whether or not the act of charging back was proper where the Reserve Bank had possession of a draft against sufficient collected funds issued before but received after notice of suspension.

In the case of Reserve Banks which have in the past adopted an equivocal attitude in the treatment of reserve balances, the

Regulation with the amendment suggested by Counsel still leaves open the question of whether or not in a given case cash items should be charged back, and, if not charged back, the provisions of the Regulation would not apply. The amendment suggested by Mr. Clerk and myself would remove all option in such a case. We have accordingly wired you today as per enclosed copy.

We believe that paragraph 6 of Section V, Regulation J, would be materially strengthened by adding at the end thereof the following sentence:

> "No draft, authorization to charge or other order upon funds of a remitting bank in the possession of a Federal Reserve Bank, issued for the purpose of settling items handled under the terms of this Regulation, will be paid after receipt by such Federal Reserve Bank of notice of suspension of such remitting bank."

This section, with the suggested addition, would then read as follows:

> "(6) The amount of any check for which payment in actually and finally collected funds is not received shall be charged back to the forwarding bank, regardless of whether or not the check itself can be returned. The owner or holder of any such check so charged back shall, in such event, have no right of recourse upon, interest in or right of payment from any fund, reserve, collateral or other property in the possession of the Federal Reserve Bank. No draft, authorization to charge or other order upon funds of a remitting bank in the possession of a Federal Reserve Bank, issued for the purpose of settling items handled under the terms of this Regulation, will be paid after receipt by such Federal Reserve Bank of notice of suspension of such remitting bank."

You will notice that in the suggested addition we have used the phrase "issued for the purpose of settling items handled under the terms of this Regulation." This phrase was used in order to remove all doubt as to the right to offset existing on the part of the Federal Reserve Bank for cash items in which the Federal Reserve Bank itself had a proprietary interest. In view of the fact that the entire Regulation and the paragraph entitled "Terms of Collection," refer only to items handled as agent, this phrase may be considered an excess of caution. We believe, however, that its use is justifiable.

Mr. Clerk desires to call to your attention the fact that, while the Federal Reserve Board has not issued any regulation governing non-cash

collections, the circulars of all Federal Reserve Banks relating to such matters must be uniform in certain terms which are approved by the Federal Reserve Board. It will, of course, be necessary, for the same reasons hereinabove stated, to include in the non-cash collection circulars issued by the several Federal Reserve Banks the statement relating to the dishonor of settlement drafts received after suspension of the drawer. This is a matter with which you are not directly concerned, but which you will probably desire to call to the attention of the Standing Committee on Collections.

WYATT

RESERVE BOARD

WASHINGTON

April 18, 1929

After careful consideration suggested amendment paragraph 6 section V Regulation J adopted at recent Conference Counsel, officers this bank and I agree that right to charge against reserve balances in settlement cash item transactions after notice suspension of remitting bank should be made more definite. Therefore suggest that in redrafting this paragraph for consideration Board following provision be added to paragraph 6

> "No draft, authorization to charge or other order upon funds of a remitting bank in the possession of a Federal Reserve Bank issued for the purpose of settling items handled under the terms of this Regulation, will be paid after receipt by such Federal Reserve Bank of notice of suspension of such remitting bank."

AGNEW

COPY X-6596-a

[illegible] 493

FEDERAL RESERVE BANK

OF NEW YORK

May 6, 1929.

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

Dear Mr. Wyatt:

Receipt is acknowledged of Mr. Vest's letter of April 15, enclosing two copies of the record of proceedings of the Conference of Counsel of all Federal Reserve Banks held on April 1 and 2.

Since the conference I have thought a great deal about the amendments to Regulation J recommended by the majority committee. As a result, I would like to suggest, first, that a slight change be made in the phraseology of the proposed amendment to paragraph (4) of Section V and, second, that no amendment to paragraph (6) of Section V be made but that this paragraph be left as it now is in the existing regulation.

The suggested change in phraseology of paragraph (4) of Section V is indicated below:

Small type indicates amendments to paragraph (4) of Section V of Regulation J as recommended by majority committee.
Proposed new matter is in CAPITALS.
Matter proposed to be stricken out is indicated by - - - .

(4) Checks received by a Federal Reserve Bank on its member or nonmember clearing banks will ordinarily be forwarded or presented direct to such banks and such banks will be required to remit or pay therefor at par. Such remittance or payment may be made in cash, OR by bank draft acceptable to the collecting Federal Reserve Bank, OR WITH THE CONSENT OF THE COLLECTING FEDERAL RESERVE BANK BY AUTHORIZED CHARGES AGAINST BALANCES WITH IT, OR by other funds or transfers acceptable to the collecting Federal Reserve Bank ~~or by authorizing the collecting Federal Reserve Bank to charge their reserve accounts or clearing accounts.~~

The principal purpose of this change is to make it clear that payment may not be made by authorizing the Federal Reserve Bank to charge unless this is satisfactory to the Reserve Bank. Mr. Leedy of Kansas City called my attention when we were in Washington to the need for some change

for this purpose. The proposed change will also have the effect of making the language broad enough to cover payment by means of authorizations to charge accounts other than those of the drawee banks. My impression is that it is the present practice of certain member banks in other districts to pay their cash letters by having their correspondent banks authorize the Federal Reserve Bank to charge the reserve accounts of such correspondents.

I think that paragraph (6) of Section V of the existing regulation should be left unchanged because no amendment is necessary in order to carry out the general policy approved by the majority committee.

My understanding of the argument for an amendment is that, as the regulation now stands, when a member bank fails without having remitted for cash letters it is unsafe for the Federal Reserve Bank to do what it should do in order to carry out the general policy recommended by the majority committee (i.e., turn over to the Receiver of the failed member bank, in so far as not needed to pay indebtedness due to the Federal Reserve Bank in its own right, any balance in the member bank's reserve account and any collateral security which has been pledged by the member bank to the Federal Reserve Bank); and that this is due to the uncertainty as a matter of law whether such reserve balance and such collateral security should be turned over to the Receiver or should be applied in payment of unremitted-for items drawn on the failed bank, this uncertainty being due mainly to the recent decisions in the cases of Midland National Bank & Trust Company v. The First State Bank of Sioux Falls 222 N.W. 274 (Supreme Court of Minnesota), and Early v. Federal Reserve Bank of Richmond 30 Fed. (2nd) 198 (Circuit Court of Appeals, Fourth Circuit). It seems to me, however, that this attributes to these two decisions a broader scope and effect than they really have.

The Midland Bank case involved the interpretation of a specific contract under which securities were pledged as collateral, and the Federal Reserve Banks can avoid its effect by using a different form of contract of pledge containing express language showing an intent to exclude from the liabilities secured thereby any liabilities upon checks received by the Federal Reserve Banks as collecting agents or upon instruments given in payment of such checks.

An analysis of the opinion of the Circuit Court of Appeals in the Early case shows clearly, I think, that the court based its decision upon the fact that the failed member bank had, by agreeing to the terms of the Federal Reserve Bank of Richmond's then effective check collection circular, authorized the Reserve Bank to charge cash letters against the member bank's reserve account at the expiration of the designated transit time or at any other time the Reserve Bank deemed it necessary to do so. In other words, the decision is based on the fact that the Federal Reserve Bank of Richmond was using the so-called "charge" system in collecting the checks involved. Since the time of the events involved in the Early case the Federal Reserve Bank of Richmond has adopted the "remittance" system and all Federal Reserve

Banks are now collecting checks on that system. It seems to me that as to any cases likely to arise in the future the decision in the Early case will not only not be considered a precedent for the application of reserve balances to the payment of unremitted-for items, but will be a strong authority against such application.

I am aware that the following cases might be used to support an argument that a Federal Reserve Bank has the right, if it so desires, to apply the reserve balance of a failed member bank in payment of unremitted-for items drawn on such member bank: Storing v. First National Bank of Minneapolis 28 Fed. (2d) 587 (C.C.A., 8th Circuit); Keyes, Receiver, v. Federal Reserve Bank of Minneapolis (unreported decision U.S.D.C., for the District of Minnesota, 1927); Federal Reserve Bank of Minneapolis v. First National Bank of Eureka, S. D., 277 Fed. 300 (U.S.D.C., for the District of South Dakota, Northern District, 1921). For various reasons, however, I do not believe that these cases would be entitled to much weight in an attempt to establish that Federal Reserve Banks must apply failed member banks' reserve balances in payment of unremitted-for items; and consequently I believe that these decisions need cause no real embarrassment to Federal Reserve Banks in carrying out the general policy recommended by the majority committee of counsel. For example, one of the reasons I have in mind is that the three cases just mentioned involved for the most part checks drawn on other banks, which checks had been sent to and collected by the failed banks thereby increasing the failed banks' assets; whereas the unremitted-for checks involved in our problem are those drawn on the failed bank itself, so that the collection thereof would be accomplished merely by a transfer of the failed bank's liability from its depositors to the check owners without any increase in the bank's assets.

As I have already indicated, I am satisfied that no amendment to paragraph (6) of Section V of Regulation J is necessary to enable the Federal Reserve Banks effectively and safely to carry out the general policy approved by the majority committee of counsel. Moreover, I think there is great advantage to all concerned in trying to work out the solution of this intricate problem as far as possible by the application of accepted principles of law rather than by resorting to regulations that may be considered arbitrary, particularly as the purpose of this particular provision of the regulations would be to determine rights as between third parties as well as to protect the Federal Reserve Banks. In fact to the outsider the protection afforded Federal Reserve Banks would appear to be incidental. It is possible, of course, that further study and future developments may indicate that an amendment is advisable, but in determining just what form such amendment should take we will then have the benefit of additional knowledge and information, including, I hope, a decision by the United States Supreme Court in the Early case.

If any Federal Reserve Bank really feels it now needs additional protection in carrying out the general policy approved by the majority committee, I think that rather than have the Federal Reserve Board amend

Federal Reserve Bank of New York 4 Walter Wyatt, Esq.

Regulation J it would be better for the particular Federal Reserve Bank to incorporate such protective provision as it deems necessary in its check collection circular.

The specific amendment to paragraph (6) of Section V of Regulation J as proposed by the majority committee of counsel is open to the objection that it goes beyond the scope of the general policy approved by the committee and might affect, even as between third parties, rights and property not intended to be affected and having no relation to the general policy. The object of the proposed amendment is, as I understand it, to make clear that the owners of unremitted-for items have no right to receive or require payment of such items out of (a) reserve and clearing balances, (b) Federal Reserve Bank capital stock refunds, and (c) collateral pledged to secure indebtedness to the Federal Reserve Bank. It is not intended, of course, to affect such rights as the owners of the checks might have by agreement with other parties with respect to other property, such for example as securities held by Federal Reserve Banks in safekeeping for member banks. I assume it would be possible to redraft the amendment to this paragraph so as to limit its effect to the precise purposes intended, but the result would be a long and cumbersome paragraph; and as I have previously indicated I think it unnecessary and inadvisable to make any amendment.

For your information I am enclosing a copy of Governor Harrison's letter of May 6, 1929 in reply to the Federal Reserve Board's letter of April 23, 1929, (X-6296), with reference to the action of the recent Governors' Conference regarding proposed amendments to Regulation J.

Very truly yours,

(S) Walter S. Logan,
General Counsel.

Encl.

COPY

X-6596-a

497

FEDERAL RESERVE BANK

OF NEW YORK

May 6, 1929.

Federal Reserve Board,

Washington, D. C.

S i r s:

Receipt is acknowledged of your letter of April 23, 1929, X-6296, referring to the action taken by the recent Conference of Governors upon the report of the Conference of Counsel with regard to the policy to be pursued by Federal Reserve Banks in asserting rights in behalf of depositors of unremitted-for cash letters against Receivers of insolvent member banks. The resolution adopted by the Conference of Governors recited that the Governors "approved in substance the majority report of the Conference of Counsel, with the understanding that, to assist the 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." Your letter requests us to advise you whether or not there are any such local arrangements in this district.

We have no "local arrangement" such as is intended to be referred to in the resolution of the Conference of Governors, except the agreements pursuant to which we handle checks drawn on practically all the member banks located in the Boroughs of Manhattan, Bronx, and Brooklyn, New York City, that are not members of the New York Clearing House. The agreements we have with these member banks provide that each morning the member bank shall send a representative to the Federal Reserve Bank to receive the checks drawn upon the member bank, and that we may charge to the member bank's reserve account the amount of the checks delivered to such representative, subject to the right of the member bank to return any checks before 3 o'clock that day and receive credit therefor. With respect to certain large member banks the exchanges of which are handled in this manner it is frequently the case that at the time the checks are delivered to the member bank's representative the member bank's reserve account would not be sufficient to cover such checks without the credits for "immediate credit" items which have just been deposited by the member bank but which will not be actually collected until later in the day. As a practical matter the credit risk assumed by this bank is probably insignificant, but because of the very large amounts sometimes involved it is nevertheless a serious question whether it should not take collateral to protect itself against

possible loss from handling checks in this manner or to insure the payment of such checks. To do so would not, in our opinion, be in contravention of the general policy approved by the majority committee at the recent Conference of Counsel. The question of taking collateral from some of these member banks has been raised several times and is in fact now under consideration.

Checks drawn on New York Clearing House banks are, of course, presented through that clearing house, of which this bank is a member. And in certain other communities there are clearing houses with the members of which we have arrangements whereby their clearing house balances are settled by debits and credits to their reserve accounts with this bank. Also, a few of our member banks have requested us to handle the checks drawn on them on the "charge" system and we accordingly do so. We do not understand that the arrangements involved in the transactions referred to in this paragraph are the type of "local arrangement" contemplated by the resolution of the Conference of Governors, but I am mentioning them for the sake of completeness.

I enclose a copy of a letter dated May 6, 1929, which Mr. Logan, our general counsel, has written to Mr. Wyatt with reference to the amendments to Regulation J as suggested in the report of the majority committee of the recent Conference of Counsel. I agree with Mr. Logan that it is unnecessary and in all the circumstances probably inadvisable to amend paragraph (6) of Section V of Regulation J at this time.

Very truly yours,

George L. Harrison,
Governor.

Encl.
WSL-GSR
(EB)

COPY

X-6596-b

499

FEDERAL RESERVE BANK

OF NEW YORK

April 4, 1930.

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

Dear Mr. Wyatt:

In accordance with our recent telephone conversation I am sending you herewith a copy of the proposed amendment to paragraph (6) of Section V of Regulation J with the last sentence revised so as to refer only to reserve balances, i.e., eliminating the specific reference to collateral. As I told you on the telephone, Mr. Agnew and I spent some time discussing this question of the proposed amendments to Regulation J, and as a result I think we are both in favor of this amendment to paragraph (6) of Section V. I know that as far as I am concerned the consideration I have given the matter since I talked with Mr. Agnew has confirmed my belief that this is the best solution of the problem. This suggested amendment would offset the effect of the decision in the Early case, but it would not (as I think the amendment to this paragraph as drafted by the Conference of Counsel would) preclude a Federal Reserve Bank, while acting in good faith and with no intent to adopt a general policy inconsistent with the uniform policy that has been approved, from exercising its judgment and discretion as to the best way to protect itself in emergencies.

Mr. Agnew and I both assumed that the amendment to paragraph (4) of Section V of Regulation J as drafted at the Conference of Counsel would be adopted. This amendment merely clarifies this paragraph and does not change the effect of it.

I am sending a copy of this letter and draft of suggested amendment to paragraph (6) of Section V of Regulation J to Mr. Agnew.

Yours faithfully,

(S) Walter S. Logan,
General Counsel.

Encl.

Revised Suggested Amendment

To Paragraph (6), Section V of Regulation J.

(6) The amount of any check for which payment in actually and finally collected funds is not received shall be charged back to the forwarding bank, regardless of whether or not the check itself can be returned. In such event, neither the owner or holder of any such check, nor the bank which sent such check to the Federal reserve bank for collection, shall have any right of recourse upon, interest in, or right of payment from the reserve balance of the drawee bank with the Federal reserve bank.

(WSL:GSR)

COPY

X-6596-c

501

FEDERAL RESERVE BANK

OF NEW YORK

April 9, 1930.

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

Dear Mr. Wyatt:

You will recall that when I was in Washington some time ago I discussed with you the suggestion of an amendment to Regulation J to provide specifically that a Federal Reserve Bank has the right in its discretion to refuse to permit withdrawals against items which have been credited to member banks' reserve accounts but for which payment in actually and finally collected funds has not yet been received. Since that time I have been intending to write you to put the suggestion in more concrete form.

An amendment such as I have in mind would merely give definite sanction to the position taken by the Federal Reserve Bank of New York (and I presume by other Federal Reserve Banks) that credits for items entitled to immediate credit on day of receipt are not subject to withdrawal until the Federal Reserve Bank receives actual and irrevocable payment later in the day. No bank has ever objected to this, but we feel that our position would be stronger if the matter were specifically covered in Regulation J and our circular.

Section 19 of the Federal Reserve Act provides that

> "The required balance carried by a member bank with a Federal reserve bank may, <u>under the regulations</u> and subject to such penalties as may be prescribed by the Federal Reserve Board, be checked against and withdrawn by such member bank for the purpose of meeting existing liabilities;"

Subdivisions (2) and (3) of Section IV of Regulation J now provide as follows:

> "(2) For all such checks as are received for immediate credit in accordance with such time schedule, immediate credit, subject to final payment, will be given upon the books of the Federal reserve bank at full face value in the reserve account or clearing account upon day of receipt, and the proceeds will at once be counted as reserve and become available for withdrawal or other use by the sending bank.
>
> "(3) For all such checks as are received for deferred credit in accordance with such time schedule, deferred

> credit, subject to final payment, will be entered upon the books of the Federal reserve bank at full face value, but the proceeds will not be counted as reserve nor become available for withdrawal or other use by the sending bank until such time as may be specified in such time schedule, at which time credit will be transferred from the deferred account to the reserve account or clearing account subject to final payment and will then be counted as reserve and become available for withdrawal or other use by the sending bank."

The suggested amendment to Regulation J could be accomplished by adding a clause at the end of each of these subdivisions reading substantially as follows:

> "provided, however, that the Federal reserve bank may in its discretion refuse at any time to permit the withdrawal or other use of credit given for any item for which the Federal reserve bank has not yet received payment in actually and finally collected funds."

Under the terms of the time schedules, credit is often given in the reserve account both for immediate credit items and for deferred availability items before payment is actually received. From the standpoint of this bank, however, the suggested amendment would be of particular importance in connection with immediate credit items, because of the very large volume of the clearings of New York City banks.

For checks on New York City banks which we receive before 9 a.m. we give immediate credit on the day of receipt. Exchanges of clearing house checks are completed at 10 a.m. and the clearing house balances are settled on our books at 1 p.m., any bank having the right, however, up to 3 p.m. to return any check direct to the bank which received credit for it in the day's exchanges. If a clearing house check, deposited with us by a bank not a member of the clearing house, should be returned to us at, say, 2 p.m., we would of course immediately charge it to the depositing bank. If, however, the depositing bank has the technical right to check out its entire reserve balance during the day and should do so and then fail just before 2 p.m., there would of course be nothing against which we could charge the returned check. This example is one of many theoretically possible cases in which it might be important that we have the clear and definite right to refuse to permit withdrawals against uncollected immediate credit items. The number of such cases is larger than it otherwise would be because of the fact that the majority in number of the New York City banks are not members of the clearing house. We have agreements with most of these other banks under which we deliver their checks to them at 9 a.m. and simultaneously charge their accounts with the amount of such checks, they having the right, however, to return the checks up to 3 p.m.

The actual credit risk to the Federal Reserve Bank of New York in connection with the collection of these New York City bank checks is negligible, we believe, but in view of the very large amounts involved it is

important that we take every precaution against loss even though the possibility of such loss appears extremely remote. Our daily receipts usually aggregate $150,000,000 to $200,000,000 for New York clearing house checks, and $50,000,000 to $100,000,000 for other New York City checks.

Very truly yours,

(S) Walter S. Logan,
Deputy Governor and General Counsel.

COPY

X-6596-d

501

FEDERAL RESERVE BANK OF SAN FRANCISCO

April 25, 1930.

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

Dear Mr. Wyatt:-

On the occasion of my recent visit to Washington and New York, I took occasion to call upon Mr. Logan, counsel for the Federal Reserve Bank of New York and to discuss with him the dilemma into which we have fallen with relation to the proposed amendments to Regulation J.

Mr. Logan wrote you, I believe, in relation to the discussions which we had, on April 4.

My thought was to so amend paragraph 6 of Section V of the Regulation as to avoid the effect of the Early case and at the same time leave opportunity for a Federal reserve bank to exercise its judgment in taking special security to safeguard itself in particular instances. I therefore suggested to Mr. Logan that the amendment proposed to this section by the last conference of counsel be limited in its terms to reserve balances. I do not believe that the term "reserve balance" could by any stretch of the imagination be held to include special collateral taken for the specific purpose of safeguarding a Reserve bank in the collection of items drawn upon a particular member or non-member clearing bank.

I am very hopeful that the suggestion made may satisfy those Reserve banks who have protested against the adoption of the amendment to paragraph 6 proposed by counsel, and may at the same time leave those Federal reserve banks who do not consider it wise or expedient to enter into special arrangements free from the embarrassment arising through the decision in the Early case.

The addition to paragraph 6, Section V of Regulation J would, if our suggestion were adopted, read as follows:-

> "In such event, neither the owner or holder of any such check, nor the bank which sent such check to the Federal reserve bank for collection, shall have any right of recourse upon, interest in, or right of payment from the reserve balance of the drawee bank with the Federal reserve bank."

Paragraph (4) of Section V of the Regulation should, however, be amended in the form proposed by conference of counsel. The suggested amendment to this paragraph merely serves to clarify it.

I would like very much to receive your opinion of the amendment proposed by Mr. Logan and myself, and the possibility of its being adopted and put into effect.

Yours very truly,

(S) Albert C. Agnew,
Counsel.

COPY

X-6597

506

(PROPOSED LETTER TO COUNSEL FOR ALL FEDERAL RESERVE BANKS PREPARED BY MR. WYATT BUT NOT SENT OUT.)

July 29, 1929.

SUBJECT: Proposed Amendments to Regulation J.

Dear Sir:

Consideration of the proposed amendments to Regulation J recommended by the conference of Counsel held in Washington on April 1st and 2nd has been delayed owing to the fact that it was necessary to communicate with the Governors of all Federal reserve banks in order to ascertain whether there are any local arrangements in their respective districts which might be affected by such proposed amendments.

Replies have now been received from all of the Governors, and all of them except those at New York and Philadelphia state that they know of no local arrangements which would be affected by the proposed amendments to Regulation J.

The Federal Reserve Bank of New York has no local arrangements which would be affected by the proposed amendment except the agreement under which they handle checks drawn on practically all member banks located in the Boroughs of Manhattan, Bronx and Brooklyn which are not members of the New York Clearing House. The agreements with these member banks provide that each morning each member bank shall send a representative to the Federal Reserve Bank to receive checks drawn on the member bank and the Federal Reserve Bank may charge to the member bank's reserve account the amount of checks delivered to such representative, subject to the right of the member bank to return any checks before 3 o'clock the same day and

receive credit therefor. With respect to certain large member banks, the reserve account would not be sufficient to cover such checks without credit for immediate credit items deposited by such member banks but which will not actually be collected until later in the day. The credit risk in such case is probably insignificant; but, because of the large amounts sometimes involved, the Reserve Bank considers it a serious question whether it should not take collateral to protect itself against possible loss from handling checks in this manner or to insure payment of such checks. The Federal Reserve Bank of New York has never taken such collateral but is considering the advisability of doing so. It would not consider the taking of such collateral a contravention of the general policy approved by the majority of counsel.

The Federal Reserve Bank of Philadelphia uses two forms of collateral agreement to protect it in collecting checks: (1) A form of agreement intended to protect it against loss incurred by it in leaving collection items at nonmember city banks for examination and payment or return at a later hour during the day; and (2) a form of agreement intended to make possible the collection of items upon certain nonmember country banks where existing circumstances would make it unwise to collect such items without the protection afforded the reserve bank by the deposit of collateral.

The pledge of collateral with the Federal reserve bank to protect it against liability under the circumstances described by the Federal reserve banks of New York and Philadelphia might be considered inconsistent with the uniform policy recommended by the conference of Counsel and approved by the Governors' Conference; but in my opinion it would not be a violation

of the new language proposed to be added to the last paragraph of Section V of Regulation J.

The Federal Reserve Bank of Richmond calls attention to a local clearing house arrangement by which collateral is deposited by Richmond clearing house banks with a trust company to secure any member of the clearing house against loss as a result of checks being delivered through the clearing house for payment or return. The Federal Reserve Bank of Richmond does not consider this arrangement inconsistent with the proposed amendment and I concur in this view, since the securities are deposited with a trust company and not with the Federal reserve bank and are for the protection of all members of the clearing house and not for protection of the Federal reserve bank alone.

The Federal Reserve Bank of Boston suggests that the new regulations be not drawn in such a way as to deny to any Federal reserve bank, either specifically or by implication, the right to protect itself against liability by making special arrangements to secure the payment of checks in particular cases. I do not believe that the proposed amendments to the regulation could be construed as having this effect.

In a letter, a copy of which is enclosed herewith, Judge Ueland calls attention to two local arrangements in the Minneapolis District which he thinks might be affected by the proposed amendment to Regulation J. If the agreements referred to are construed as Judge Ueland apparently construes them, they would in my opinion be inconsistent with the uniform policy recommended by the conference of Counsel and approved by the Governors' conference and one of them would be inconsistent with the proposed amendment to Regulation J; but I do not agree with Judge Ueland's construction of

these agreements. As I construe them, neither of these arrangements would be inconsistent with the proposed amendment to Regulation J.

The first arrangement referred to is the collateral agreement used by the Federal Reserve Bank of Minneapolis. It refers solely to indebtedness to the Federal reserve bank itself and I do not think it can properly be construed to apply to indebtedness owed to other banks for which the Federal reserve bank is handling checks only as agent. I realize that my view may be considered inconsistent with the decision of the Supreme Court of Minnesota, in the Midland National Bank case; but I think that decision is wrong and I believe it is distinguishable from the case of a Federal reserve bank handling checks pursuant to the express provisions of Regulation J.

The other arrangement referred to by Judge Ueland is one by which the Federal Reserve Bank of Minneapolis acts as a clearing house for the Twin City banks. Judge Ueland refers to the fourth paragraph of the rules and regulations governing the clearing house and states that it apparently constitutes the reserve account of a bank which is a member of the clearing house as a security fund for the payment of debit balances in the daily clearings, at the option of the Federal reserve bank. While I believe that this provision is objectionable, since it contains general authority to charge the reserve accounts of member banks, I do not see how it can be construed to have the effect of making the reserve balance literally a security fund for the payment of checks drawn on such banks. In view of the fact that such charges are to be made at the option of the Federal reserve bank, I do not believe that the owners of checks drawn on members of the clearing house would have any lien upon the reserve balance

in the hands of the Federal reserve bank or any right to compel the Federal reserve bank to charge such checks to the reserve account. It might, however, have the effect of making the Federal reserve bank liable for the amount of any uncollected checks, on the ground that it is negligent if it fails to exercise its right to charge them to the reserve account. It is my personal opinion that all such blanket authorizations to charge the reserve account should be discontinued for this reason.

I assume that all questions of policy considered by the Conference of Counsel were definitely and finally settled when the Governors' Conference formally adopted the uniform policy recommended by the Conference of Counsel and that, therefore, the only question to be considered by the Federal Reserve Board is the question of adopting the proposed amendments to Regulation J recommended by the Conference of Counsel subject to my approval and possibly the question whether any further amendments to Regulation J should be adopted at the same time.

Some further differences of opinion have developed in regard to the proposed amendments recommended by the Conference of Counsel. Messrs. Logan and Leedy have suggested modifications of the language of the proposed amendment to paragraph 4 of section V of Regulation J; Mr. Agnew has suggested the addition of an entirely new provision to paragraph 6; and Mr. Logan has expressed the opinion that no amendment to paragraph 6 is necessary. I enclose for your information copies of letters from Messrs. Logan and Agnew on this subject. Mr. Leedy's suggestion was verbal.

I personally feel that it would be unwise to adopt the amendment to paragraph 4 recommended by the Conference of Counsel unless paragraph 3 is broadened so as to authorize every form of remittance proposed to be

authorized in the amendment to paragraph 3; that the language of the proposed amendment to paragraph 4 is too broad and indefinite; that other amendments to the regulation may be necessary; and that the proposed amendment to paragraph 6 is not necessary if all Federal reserve banks comply strictly with the mandatory requirements of the present regulation and adhere strictly to the uniform policy recently adopted.

I am inclined to feel also that Section V of Regulation J either should not be amended at all or should be revised completely so as to conform more closely to the uniform policy recommended by the Conference of Counsel and so as to cover every contingency which may be foreseen in the light of such experience as we have had subsequent to the revision of Regulation J in 1924.

In view of the fact that Regulation J has been upheld by the courts and has been construed satisfactorily by them, I am somewhat reluctant to recommend that any amendments be made thereto, unless they are deemed to be absolutely necessary. The court decisions construing and upholding the regulation would lose some of their force and value if the regulation is amended, since lawyers attacking the amended regulation would claim that those cases are distinguishable. For this reason, piecemeal amendments to the regulation would seem undesirable.

On the other hand, the Conference of Counsel has recommended two amendments to Regulation J and this is very weighty evidence that such amendments are necessary. If these amendments are adopted, it would seem better to revise the regulation completely so that further piecemeal amendments would not be necessary.

With this in mind, I have prepared a tentative draft of a complete

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revision
/ of Section V of Regulation J, which I am enclosing herewith for your consideration and comment.

The purpose of most of the proposed changes are self evident, but a brief discussion of them will do no harm.

No changes are suggested in the introductory paragraph of Section V, nor in the paragraphs numbered 1 and 2.

The proposed changes in paragraph 3 grew out of the proposed changes in paragraph 4 recommended by the Conference of Counsel. Immediately following that Conference, I discussed this subject informally with Messrs. Leedy and Agnew, and possibly one or two other Counsel, and we all agreed that it was unwise and possibly dangerous to authorize in paragraph 4 the acceptance of forms of payment or remittance for checks on member banks and nonmember clearing banks the acceptance of which is not authorized by the terms of paragraph 3 for checks on all banks, especially in view of the fact that paragraph 3 contains other provisions for the protection of Federal reserve banks when they accept something other than cash in payment or remittance for checks handled by them.

It would seem best, therefore, to broaden paragraph 3 so as to cover all forms of remittance customarily accepted by the Federal reserve banks, and this is the principal purpose of the revision of this paragraph. I believe the language is broad enough to cover payments or remittances by a correspondent bank for the account of the drawee bank, such as are referred to in Mr. Logan's letter. Not being as intimately acquainted with the details of the practice of the Federal reserve banks as you are, however, I may have failed to include some form of remittance which is customarily used. If so, I shall appreciate it if you will kindly call the matter to my

attention and suggest how such forms of remittance could be described specifically in the regulation.

It is hoped that the foot-note to paragraph 3 will make it absolutely clear that Federal reserve banks are no longer permitted to receive blanket authority to charge any and all checks to the account of the drawee bank and that the foot-note will thus eliminate the basis for the decision of the Circuit Court of Appeals in the Early case and make it easier to distinguish other cases arising in the future. Incidentally, this foot-note will explain what is meant by an authorization to charge the reserve account or clearing account.

This foot-note would prohibit the present general agreement of the Federal Reserve Bank of New York for an immediate charge to the reserve account of local member banks which are not members of the clearing house; but the Federal Reserve Bank of New York could continue substantially the same practice without violating the proposed new regulation if it would require the messenger to whom checks are delivered to sign a receipt for such checks containing a specific authorization to charge the specific amount thereof to the reserve account or clearing account of the bank on which such checks are drawn, subject to the right of the member bank to return any checks before 3 o'clock the same day and receive credit therefor. It might be somewhat unusual for a messenger to sign such a document, but there would seem to be no practical reason why the messenger should not be authorized to do so, especially in view of the fact that informal authorizations to charge the reserve account for checks sent through the mails are at present frequently given by merely stamping a form of authorization enclosed in the cash letter.

Paragraph 4 is entirely new, but its purpose is believed to be self-evident. It contains a provision similar to that suggested by Mr. Agnew, and also incorporates in another form a suggestion made by Messrs. Logan and Leedy.

Paragraph 5 is intended to take the place of old paragraph 4 and is much simplified in view of the fact that the different forms of payment or remittance are covered by paragraph 3. Attention is called to the fact that, under the terms of paragraph 3, the acceptance of anything other than cash in payment or remittance is in the discretion of the Federal reserve bank and at its option; that, under the terms of the footnote to paragraph 3, an authorization to charge the reserve account can be given only by previous arrangement with the Federal reserve bank; and that, under the terms of paragraph 4, such an authorization is expressly made subject to acceptance by the Federal reserve bank in its discretion.

Paragraph 6 is exactly the same as paragraph 5 of the old regulation.

Paragraph 7 is entirely new and is intended to extend to the Federal reserve banks the same protection in collecting remittance drafts as they have in collecting the checks for which such remittance drafts are given. The possible failure of the regulation to afford such protection in the past has given rise to much concern and has been the subject of numerous discussions between this office and Counsel to the various Federal reserve banks at various times during the past three or four years.

Paragraph 8 takes the place of old paragraph 6 and is substantially the same as the amended form recommended by the conference of Counsel, but I have endeavored to clarify the new language recommended by the conference

of Counsel. As recommended by the conference of Counsel, this new language applies only to the "owner or holder" of any such check so charged back, and thus might be held not to apply to the bank which sent the check to the Federal reserve bank for collection and which, under the terms of paragraph 1, is the only party having any privity of contract with the Federal reserve bank. I have, therefore, changed the first part of the sentence to read, "In such event, neither the owner or holder of any such check nor the bank which sent such check to the Federal reserve bank for collection shall have any right", etc. I have also inserted the words "of the drawee bank" immediately after the word "property", in order to make it clear that we are not attempting to protect the property of the Federal reserve bank from levy or execution where the Federal reserve bank is held liable for negligence.

In my opinion, the new provision of paragraph 6 recommended by the Conference of Counsel is not absolutely necessary in view of the mandatory requirement of the old paragraph, but I think it would do no harm. In my opinion it does not prevent any Federal reserve bank from taking collateral to protect itself but it would prevent the owners or holders of checks charged back from having any claim on such collateral.

You will understand, of course, that this proposed revision of Section V has not yet been submitted to the Federal Reserve Board and represents only my own tentative views. It is being sent out as something concrete for you and Counsel of all the other Federal reserve banks "to shoot at", and I hope that you will not hesitate to criticize it freely. On the other hand, I think it would be undesirable and unprofitable to attempt to reconsider at this time any of the principles or questions of policy covered by the resolution adopted by the Conference of Counsel and

approved by the Governors' Conference.

As indicated above, I have not yet reached any conclusion in my own mind on the question whether the Federal Reserve Board should at this time:

(1) Leave the regulation in its present form without any further amendments whatsoever, or

(2) Undertake a complete revision of Section V along the lines of the tentative draft enclosed herewith, or

(3) Adopt only those amendments recommended by the Conference of Counsel.

I shall appreciate it very much, therefore, if you will kindly give me the benefit of your views as to which of these courses I should recommend to the Federal Reserve Board. In this connection I may say that a petition for writ of certiorari has been filed in the Supreme Court of the United States in the case of Early, Receiver, v. Federal Reserve Bank of Richmond and probably will be granted or denied by the Supreme Court early this fall.

Regardless of whether you think a complete revision of the regulation at this time is desirable, I shall appreciate it if you will also give me the benefit of your suggestions and criticisms with regard to the tentative draft enclosed herewith, in order that I may have the benefit of the views of all Counsel with reference to this draft if I finally decide to submit a draft of a complete revision to the Federal Reserve Board for its consideration either at this time or at some future date.

An early reply to this letter will be greatly appreciated.

With kindest personal regards, I am,

Very truly yours,

Walter Wyatt
General Counsel.

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.

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

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

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

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

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:

(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)

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

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

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.

C O P Y X-6600

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GPB:BLB March 18, 1930.

MEMORANDUM FOR MR. AWALT AND MR. FOUTS:

In re: Scope of application of decision of Supreme Court in case of Early, Receiver, vs Federal Reserve Bank of Richmond, rendered March 12, 1930.

1. An examination of the opinion rendered in the above entitled case clearly indicates that the scope of its application should be restricted to cases where the insolvent drawee bank had, by the terms of the collection circular issued by the Reserve Bank, given the Reserve Bank authority to charge its account with the amount of a collected cash letter. The pertinent portions of the opinion, first summarizing the facts and then stating the basis of the decision, are as follows:

> "This is a suit brought by the receiver of a national bank in South Carolina, a member of the Federal Reserve System, to recover the reserve balance of that bank in the hands of the Federal Reserve Bank of Richmond at the end of business on October 9, 1926, when the South Carolina Bank, being insolvent, closed its doors. Other matters tried below are not in question here. The Richmond Bank claims the right to retain the balance on the following facts. As authorized by agreement, on October 7 it forwarded to the South Carolina Bank checks drawn upon the latter which the Richmond Bank had received for collection. These checks were received the next day, marked paid and charged to the accounts of the drawers. Other checks were forwarded on October 8 and marked paid and charged to the drawers by the South Carolina Bank on October 9. After notice of the failure the Richmond Bank on October 11 charged the account of the South Carolina Bank with the amount of the checks forwarded on October 7 and the next day charged what was left with the amount sent on October 8.
>
> "The relations between the two Banks were fixed by the following terms of a circular of the Richmond Bank which was authorized by law and agreed to by the other. 'Checks received by us drawn on our member banks will be forwarded in cash letters direct to such banks and each member bank will be required either to remit therefor in immediately available funds or to provide funds available to us to meet such cash letters within the agreed transit time to and from the member bank. Therefore, the amount of any cash letter to a member bank is chargeable against available funds in the reserve account of such member at the expiration of such transit time, which date will be shown on each cash letter. The right is reserved,

however, to charge a cash letter to the reserve account of a member bank at any time when in any particular case we deem it necessary to do so." The transit time or time allowed for collection in this case was three days, and had not expired when the South Carolina Bank closed its doors. The Circuit Court of Appeals sustained the claim of the Richmond Bank. 30 F. (2) 198. A writ of certiorari was granted by this Court.

"The petitioner contends that his bank had until the end of the transit time to remit or to provide funds to meet the cash letters, that until then the Richmond Bank had a bare power of attorney to charge the reserve fund, and that the power was revoked by the insolvency of the petitioner's bank. He denies that the reserve fund was subject to any lien until that date, and calls attention to the right of his bank to draw checks against that fund reserved to it by the law. Code, Tit. 12. pg. 464.

"All parties must be taken to have dealt upon the terms of the circular that we have quoted. The right of the South Carolina Bank to draw against its reserve account was subject to the right of the Richmond Bank that held the account to charge it with a cash letter whenever deemed necessary." * * * * * * * * * * * * * * * * The fact that the fund might be diminished by drafts of the South Carolina Bank does not invalidate the lien, any more than the right of a depositor to draw against his account invalidates a banker's lien, not to speak of the paramount power of the Richmond Bank mentioned above."

2. It will be noted from the foregoing that the Supreme Court held that:

(a) The relations between the insolvent bank and the Reserve Bank were fixed by the collection circular;

(b) The collection circular gave the Richmond bank a right to charge the account of the insolvent bank, and that the right of the insolvent bank to draw against its reserve deposit

> "was subject to the right of the Richmond Bank that held the account to charge it with a cash letter whenever deemed necessary."

(c) That the reserved right under the collection circular to charge the account at any time constituted a lien in favor of the depositors of the Reserve Bank.

3. The reserve deposit of a member bank is in the same category as a deposit in any other bank so far as the issues here involved are

concerned in that the Reserve Bank cannot charge the deposit without the express authority of the member bank (except, of course, in cases of offset hereinafter discussed). In the Federal Reserve Bank of Richmond case, the authority to charge the account was given by the collection contract. It follows that where the collection contract does not give such authority to charge the account, the authority cannot be exercised. It is understood that the collection contracts of the majority of the Reserve Banks omit the provision for charging the reserve deposit, and utilize the remittance method of payment for cash letters, that is to say, the collecting bank is supposed to remit or send cash to the Reserve Bank in payment of the cash letters. Consequently, where the collection contract omits provision for the charging method and utilizes the remittance method, and the collecting bank has suspended before remittance or payment to the Reserve Bank has been made, the Reserve Bank cannot then charge the deposit account of the insolvent bank because the authority to so charge the account is not contained in the collection circular and, as indicated, the right to charge is dependent upon previously given authority to charge.

4. The Reserve Bank cannot charge the deposit of the insolvent member bank with the amount of an unpaid cash letter, on any theory of offset. Offset requires mutuality of debits and credits. Under numbered paragraph 1 of Section 5 of Regulation J, Series of 1924, of the Reserve Board, a Reserve Bank acts "only as agent of the bank from which it receives * * *" the checks for collection, and consequently it follows that when the insolvent drawee bank to whom the cash letter is sent, has made collection of the items, it owes the amounts collected to the depositors of the Reserve Bank and not to the Reserve Bank, and if remittance is made to the Reserve Bank the Reserve Bank receives the remittance as agent of its depositors. From this it follows that the Reserve Bank cannot offset the amount which the Reserve Bank owes to the insolvent bank against the amount which the insolvent bank owes to the depositors of the Reserve Bank. This was clearly recognized in the opinion of the Circuit Court of Appeals in the Federal Reserve Bank of Richmond case in disposing of the contention of the Reserve Bank that the cash surrender value of the stock owned by the member bank in the Reserve Bank, and which the Reserve Bank therefore owed to the insolvent bank, was subject to offset upon the amount of the unpaid cash letters, the language of the Circuit Court of Appeals in that connection being as follows:

> "On the second question, we do not think that the Reserve Bank has the right to set off the balance due by the insolvent bank on the checks against its stock liability. The Reserve Bank was not the owner of these checks. It was merely an agent for collection; and although it credited them to the accounts of the forwarding banks, this was upon agreement that they might be charged back if not collected, and the second lot of checks has been charged back. The stock liability is a liability created by statute which provieds that it "shall be first applied to all debts of the insolvent member bank to the Federal Reserve Bank,

and the balance, if any, shall be paid to the receiver of the insolvent bank.' 12 U. S. C. A. 288. It is perfectly clear that the liability of the insolvent member bank for these checks is a liability owing to the owners of the checks in which the Reserve Bank is not interested except as collection agent, and is not 'a debt of the insolvent member bank to the Federal Reserve Bank' within the meaning of the statute.

"Even in the absence of a statutory direction as to how the liability should be applied, a set off of checks held for collection against such a liability would not be allowed, for the reason that demands to be set off against each other must be mutual, that is they must be due to and from the same parties, and in the same capacity. 14 R.C.L. 656; 24 R.C.L. 858; Morse on Banks and Banking (6th Ed.), 334; Bank of the Metropolis v. New England Bank, 6 Howard 212; Smith v. Bath L. & B. Ass'n._____ Me. _____, 136 Atl. 284, 50 A.L.R. 526; Yardley v. Clothier, 51 Fed. 506. * *"

It follows that if the Reserve Bank cannot offset the amount which it owes for the cash surrender value of reserve stock, it cannot offset the amount which it owes for the reserve deposit, inasmuch as each represents money owing by the Reserve Bank to the insolvent bank. Neither the Circuit Court of Appeals nor the Supreme Court allowed the deposit balance of the insolvent bank to be applied on the cash letters by way of offset, but both Courts allowed it by reason of the authority to charge given in the collection circular and the lien resulting therefrom.

5. Where the insolvent bank has, prior to suspension, issued to the Reserve Bank a remittance draft, either on the Reserve Bank, or upon some correspondent bank, and suspension occurs prior to the draft being paid, the authority of the drawee bank to pay the draft is revoked by the intervening suspension, just as the authority of a bank, in ordinary course, to pay a check drawn upon it, is revoked by the bankruptcy of the drawer of the check. The remittance draft so issued by the insolvent bank is merely evidence of the debt which the draft represents, and constitutes no more than authority upon the drawee bank to pay that debt. The revocation of the authority by suspension leaves the debt unpaid, and the one to whom the debt is owing has the right to file claim against the insolvent bank. Hence it follows that where the Reserve Bank holds an unpaid draft covering cash letter items, the Reserve Bank has no right to charge the account of the insolvent bank with the amount of said draft, assuming, of course, that the Reserve Bank was not the owner of the items contained in the cash letter, but had received the items as a collection agent and had so transmitted them to the insolvent bank.

6. It is now thoroughly well settled that at suspension the assets of an insolvent bank accrue to the receiver for the benefit

of all the creditors, subject, of course, to proper claims for preference, and rights of set off. Hence it follows that the balance of an insolvent bank in a Reserve Bank accrues to the receiver, at suspension, subject to proper preference claims and rights of set off, and such balances should be paid by the Reserve Bank to the receiver.

7. A number of cases involving deposit balances with Reserve Banks have been held in abeyance pending the outcome of the Federal Reserve Bank of Richmond case. I recommend as to such cases as follows:

(a) Each case should be disposed of in the light of the special facts and circumstances therein existing and should be submitted to this office for consideration.

(b) Where the collection contract gives the Reserve Bank the right to charge the account of the insolvent bank in the same manner provided in the Federal Reserve Bank of Richmond case, the right to charge the account for items in unpaid cash letters based thereon should be recognized.

(c) Where no such right to charge the account is contained in the collection contract, the right to charge the account should be denied and appropriate measures should be taken by the receiver to obtain the withheld reserve deposit balance.

(d) Where an unpaid remittance draft is outstanding covering cash letter items which had been transmitted by the Reserve Bank, the right of the Reserve Bank to charge the unpaid draft to the reserve deposit account of the insolvent bank should be denied and appropriate measures should be taken by the Receiver to recover the deposit.

(Signed) George P. Barse.
General Counsel, Division of Insolvent
National Banks.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6601

May 19, 1930.

SUBJECT: Holidays during June, 1930.

Dear Sir:

The Federal reserve banks and branches listed below will be closed on Tuesday, June 3rd, in observance of the birthday of Jefferson Davis, and therefore will not participate in either the Gold Fund clearing or the Federal reserve note clearing of that date:

Richmond	*Memphis
Atlanta	Dallas
*New Orleans	El Paso
Birmingham	Houston
*Nashville	San Antonio
Jacksonville	

* Confederate Memorial Day

Please include credits of June 3rd in the Gold Fund clearing with your credits for June 4th for the offices affected, and make no shipments of Federal reserve notes, fit or unfit, for account of the head offices mentioned, on June 3rd.

Please notify branches.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6602

May 19, 1930.

SUBJECT: Uniform Plan for Designation of Officers to Vote in Elections of Class A and Class B Directors.

Dear Sir:

Letters have been received by the Federal Reserve Board from several Federal reserve agents raising certain questions relative to the procedure and form to be adopted in connection with the uniform plan of authorization by member banks of officers to vote in elections of Class A and Class B directors, as approved by the Federal Reserve Board in its letter of April 30th (X-6582). For your information there are given below the Board's views with reference to the questions which have been raised.

Inquiry has been made whether the form of authorization suggested by the Board and included with its letter of April 30th may properly be changed so as to omit the spaces for signatures of officers authorized to cast the ballot for a member bank, and whether in lieu thereof the signatures may be required on a separate card, or the list of signatures of officers of member banks already on file with the Federal reserve banks for use in other transactions may not be regarded as sufficient. The form of authorization enclosed with the Board's letter of April 30th was intended merely as a suggestion and not as a requirement as to the kind of form which might be used under the new plan recommended by the Federal reserve agents and approved by the Federal Reserve Board. The Federal Reserve Board is not disposed to insist that this or any other particular form be used, provided that the form adopted complies in substance with the new plan of authorization. The inclusion or omission of the signatures of the authorized officers from the form is not regarded as material and whatever course the Federal reserve agents find to be most suitable to their own needs and those of their member banks may properly be followed.

Another question relating to the form of the authorization is whether in the resolution to be adopted by the member banks the mention of the chairman of the board of directors may be omitted, for the reason that many small banks do not have a chairman of the

board of directors. Although this officer was specifically included in the resolution adopted by the Conference of Federal Reserve Agents, there would seem to be no objection to the omission of the chairman of the board from the form of resolution if that is desired. In those cases where a bank has a chairman of the board of directors and wishes to designate him as a voting officer, this may readily be done by inserting his title in the blank space provided in the form of resolution.

Another question which has been raised is whether it is necessary or advisable to discontinue the use of all authorizations from member banks now on file and to request or require that a new authorization be executed by each member bank in accordance with the new plan. The resolution adopted by the Federal Reserve Agents' Conference seems to contemplate that each member bank will execute a new form of authorization in accordance with the uniform plan recommended. It does not appear, however, whether this point was specifically considered by the Federal reserve agents, and the Federal Reserve Board makes no requirement that authorizations already on file be dispensed with and that new ones be required in all cases. In fact, under the form of designation which has been generally used, the authority of the voting officer remains in effect until revoked and it may be regarded as doubtful, therefore, from a legal standpoint, whether new forms of authority could be lawfully required in all cases.

Inquiry has also been made whether the certification as to the resolution adopted by the board of directors must necessarily be made by an officer other than any of those designated to vote. Inasmuch as the new plan contemplates that nearly all of the major officers of a bank, especially of a small bank, will be authorized for voting purposes, such a requirement would cause the certification to be made in many instances by a minor officer of limited responsibility. While it is preferable, therefore, that the certification be made by an officer other than one designated to vote, if this can be done by one of the more responsible officers, the Board does not regard this as essential and the form may be changed to take care of this point, if desired.

By Order of the Federal Reserve Board.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

TO ALL FEDERAL RESERVE AGENTS.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6603

May 21, 1930.

SUBJECT: Expense, Main Line, Leased Wire System, April, 1930.

Dear Sir:

Enclosed herewith you will find two mimeograph statements, X-6603-a and X-6603-b, covering in detail operations of the main line, Leased Wire System, during the month of April, 1930.

Please credit the amount payable by your bank in the general account, Treasurer, U. S., on your books, and issue C/D Form 1, National Banks, for account of "Salaries and Expenses, Federal Reserve Board, Special Fund", Leased Wire System, sending duplicate C/D to the Federal Reserve Board.

Very truly yours,

Fiscal Agent.

Enclosures.

TO GOVERNORS OF ALL F. R. BANKS EXCEPT CHICAGO.

REPORT SHOWING CLASSIFICATION AND NUMBER OF WORDS TRANSMITTED OVER MAIN LINE OF THE FEDERAL RESERVE LEASED WIRE SYSTEM FOR THE MONTH OF APRIL, 1930.

From	Business reported by banks	Words sent by New York chargeable to other F. R. Banks (1)	Net Federal Reserve Bank business	Percent of total bank business (*)
Boston	29,194	1,315	30,509	3.19
New York	158,859	-	158,859	16.62
Philadelphia	34,697	914	35,611	3.73
Cleveland	91,193	2,319	93,512	9.78
Richmond	56,431	2,163	58,594	6.13
Atlanta	64,705	6,645	71,350	7.47
Chicago	114,101	3,001	117,102	12.25
St. Louis	83,167	2,533	85,700	8.97
Minneapolis	33,712	2,143	35,855	3.75
Kansas City	83,945	2,111	86,056	9.00
Dallas	65,194	7,676	72,870	7.63
San Francisco	106,463	3,259	109,722	11.48
Total	921,661	34,079	955,740	100.00

F. R. Board business	269,636	1,225,376
Treasury Department business - Incoming and Outgoing		153,513
Total words transmitted over main lines		1,378,889

(*) These percentages used in calculating the pro rata share of leased wire expense as shown on the accompanying statement (X-6603-b)

(1) Number of words sent by New York to other F. R. Banks for their sole benefit charged to banks indicated in accordance with action taken at Governors' Conference November 2 - 4, 1925.

REPORT OF EXPENSE MAIN LINE
FEDERAL RESERVE LEASED WIRE SYSTEM, APRIL, 1930.

Name of bank	Operators' Salaries	Operators' Overtime	Wire Rental	Total Expenses	Pro Rata Share of Total Expenses	Credits	Payable to Federal Reserve Board.
Boston	$ 260.00	$ 5.00	$ -	$ 265.00	$ 662.71	$ 265.00	$ 397.71
New York	1,037.46	-	-	1,037.46	3,452.72	1,037.46	2,415.26
Philadelphia	225.00	-	-	225.00	774.89	225.00	549.89
Cleveland	306.66	-	-	306.66	2,031.74	306.66	1,725.08
Richmond	190.00	-	230.00(&)	420.00	1,273.48	420.00	853.48
Atlanta	270.00	-	-	270.00	1,551.85	270.00	1,281.85
Chicago	3,923.09(#)	-	-	3,923.09	2,544.87	3,923.09	1,378.22(*)
St. Louis	195.00	-	-	195.00	1,863.47	195.00	1,668.47
Minneapolis	201.13	-	-	201.13	779.04	201.13	577.91
Kansas City	287.50	-	-	287.50	1,869.70	287.50	1,582.20
Dallas	251.00	-	-	251.00	1,585.09	251.00	1,334.09
San Francisco	380.00	-	-	380.00	2,384.91	380.00	2,004.91
Federal Reserve Board	-	-	15,615.21	15,615.21	-	-	-
Total	$ 7,526.84	$ 5.00	$ 15,845.21	$23,377 05	$ 20,774.47	$ 7,761.84	$ 14,390.85
				2,602.58(a)			1,378.22 (b)
				$20,774.47			$ 13,012.63

(&) Main line rental, Richmond-Washington.
(#) Includes salaries of Washington operators.
(*) Credit.
(a) Received $2,602.58 from Treasury Department covering business for the month of April, 1930.
(b) Amount reimbursable to Chicago.

FEDERAL RESERVE BOARD

538

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6606

May 26, 1930.

Dear Sir:

I have just learned that the Treasury Department has almost completed a revision of its Circular No. 176, containing regulations governing the deposit of public moneys and the payment of Government Warrants and Checks. You will recall that, during January, 1927, the Standing Committee on Collections had a conference with representatives of the Treasury Department on this subject and suggested numerous changes which they thought ought to be made in the circular for the better protection of the Treasury Department and the Federal reserve banks and in order more clearly to define the duties and responsibilities of the Federal reserve banks in handling checks for the Treasury Department and in cashing Government warrants and checks. Mr. R. G. Hand, Commissioner of Accounts and Deposits, advises me that the Treasury Department will probably adopt most, if not all, of the suggestions made by the Standing Committee on Collections and that the Federal reserve banks will be given an opportunity to submit their comments with reference to this circular before the revised circular is finally promulgated.

I told Mr. Hand about our forthcoming Conference of Counsel to be held here on June 9th and suggested that it might be advisable for him to submit the revised circular to the Conference of Counsel and request their suggestions and criticisms, especially in view of the fact that the Chairman and two members of the Standing Committee on Collections also will attend the Conference. Mr. Hand very readily agreed to this suggestion and will make every effort to have a printer's proof of the revised regulation available for members of the Conference on or before June 9th. If this proof is available soon enough, I shall mail a copy of it to you in order that you may have an opportunity to study it in advance of our Conference. If not, we hope to have a copy available when you arrive here. In the meantime, I am enclosing for your information a memorandum showing the suggested changes in this circular which the Standing Committee on Collections submitted to the Treasury Department in January, 1927.

The purpose of this letter is merely to acquaint you with the situation in order that you may be prepared to discuss the circular with the Treasury Department during our Conference.

Very truly yours,

Walter Wyatt,
General Counsel.

Enclosure.

CHANGES SUGGESTED IN TREASURY DEPARTMENT CIRCULAR NO. 176 BY STANDING COMMITTEE ON COLLECTIONS IN JANUARY, 1927.

Paragraph No. 5, page 2.

Add the words "Terms under which accepted" to the heading of this paragraph.

In the 7th line, after the word "the" and before the word "check", insert the words "proceeds of the"; after the word "draft", strike out the remainder of this sentence and insert in lieu thereof the words "have been received in actually and finally collected funds." Strike out the sentence immediately following (7th, 8th and 9th lines) and incorporate in its place authority for the Government to have such checks collected through Federal reserve banks in the manner provided in Regulation J of the Federal Reserve Board.

Paragraph No. 6, page 3.

In the 16th line after the word "depositary" ending the sentence in this line, add the words "giving his official title."

Attention was called to the fact that the forms provided by the Treasury Department do not comply with the following provision:

> "Federal reserve banks and branches should see that the face of each certificate in any set of certificates of deposit covering in whole or in part items other than cash for which credit is given in the Treasurer's account before actual collection, bears a legend reading as follows:
> 'This certificate of deposit issued subject to deduction for uncollectible items.'" (22nd to 26th line inclusive.)

Paragraph No. 10, page 5.

In the 7th line on this page strike out the word "or" appearing between the words "transmittal" and "draft", and insert in its place the words "describing the items and."

Paragraph No. 11, page 5.

In the 3rd line, strike out the words " 'No protest', followed by his name and title", and in lieu thereof insert " 'N.P.', followed by the transit number of the Federal reserve bank or branch in which such checks are deposited and the name and title of the depositor."

Paragraph No. 12, page 6.

In the 3rd line, strike out the word "will" appearing between the words "who" and "give", and in its place insert the words "shall immediately".

Instead of the word "will" beginning the 8th line, use the word "shall", and between the words "Bank" and "give" in the same line insert the word "immediately".

After the semi-colon appearing after the word "manner" in the 32nd line, strike out the remainder of this paragraph.

Paragraph No. 14, page 7.

In the 10th line, strike out the words "whenever practicable", which appear between the words "should" and "arrange".

Paragraph No. 15, page 7.

Strike out the heading of this paragraph and in lieu thereof insert the words "Indorsement and transmission of checks for collection."

Paragraph No. 16, page 7.

In the 1st line of this paragraph, strike out the word "returned" appearing between the words "is" and "unpaid".

Paragraph No. 18, page 8.

Change the heading of this paragraph to read "Indorsement and transmission of checks for collection".

Paragraph No. 19, page 8.

In the 1st line of this paragraph strike out the word "returned" appearing between the words "is" and "unpaid".

Paragraph No. 21, page 8.

Strike out the word "returned" in the 1st line of this paragraph appearing between the words "is" and "unpaid".

Paragraph No. 25, page 9.

After the word "basis" in the 2nd line, strike out the remainder of the sentence on this page and the words "that date" appearing on page 10, as this is covered by Treasury Department Circular No. 92. Rewrite the last paragraph of Paragraph No. 25, which appears on page 10, to fit the practice of Federal reserve banks under Regulation J.

Paragraph No. 26, page 10.

Insert the words "if practicable" after the word "show" in the 4th line of this paragraph.

Paragraph No. 26, page 11.

In the 3rd paragraph of Paragraph No. 26, omit the 1st line or change it to fit Paragraph No. 5. Change the word "on" appearing between the words "bank" and "which" in the 3rd line of the 3rd paragraph of Paragraph No. 26 to "by".

In the 2nd and 3rd lines of the 4th paragraph of Paragraph No. 26, strike out the words "and requested to have payment stopped thereon", appearing after the word "notified"; and in the 5th and 6th lines strike out the words "and that the drawer of the check has been requested to stop payment thereon", appearing after the word "deposit".

Paragraph No. 35, page 13.

Between the words "branches" and "will", in the 1st line insert the words "or fiscal agents of the United States". In the 7th line, strike out the words "will cash" appearing between the words "branch" and "Government" and insert in lieu thereof the words "as fiscal agents of the United States will pay conditionally". Insert the words "through clearing houses or" before the word "by" which begins the 9th line, and after the word "by" strike out the words "responsible incorporated" and insert in lieu thereof the word "member". In the same line, after the word "companies" and before the word "who", insert the words "of the Federal Reserve System." In the 12th line, insert the word "final" between the words "and" and "payment".

Paragraph No. 37, page 14.

In the 10th line, after the word "account" and before the numeral "(2)", add this sentence: "The remitting bank will be permitted to charge back to the Treasurer's account the amount of any such warrant or check for which it is unable to obtain reimbursement".

PROGRAM FOR CONFERENCE OF COUNSEL FOR FEDERAL RESERVE BANKS TO BE HELD AT WASHINGTON, D. C., ON JUNE 9, 1930.

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1. To what extent are Federal reserve banks liable for losses on checks heretofore handled in view of the decision of the Supreme Court of the United States in the case of Early v. Federal Reserve Bank of Richmond.

2. What amendments, if any, should be made to Regulation J in the light of the decision referred to in order to clarify the legal rights and responsibilities of the Federal reserve banks and if possible to protect them from any unwarranted liability. In this connection the attached list shows the text of amendments to Regulation J which have been specifically suggested or recommended.

3. What changes, if any, should be made in the check collection circulars of the Federal reserve banks for the purposes stated in paragraph (2) above.

4. What should be the attitude of the Federal reserve banks with reference to releasing to receivers of insolvent banks the reserve balances of such banks where checks on such banks have been charged to the accounts of the drawers but no remittances have been made to the Federal reserve banks.

5. What defenses should be interposed to suits brought against Federal reserve banks based on the doctrine of the decision in the Early case.

6. What changes, if any, should be made in the practices of the Federal reserve banks in handling checks in the light of the decision in the Early case.

7. What other amendments to Regulation J, if any, than those suggested above, should be adopted for the purpose of clarity, uniformity or other reason.

8. A discussion with representatives of the Office of the Comptroller of the Currency with regard to the subject stated in paragraph (4) above and other matters arising out of the decision in the Early case.

9. A discussion of the pending revision of Treasury Department Circular No. 176, containing regulations governing the deposit of public moneys and the payment of Government warrants and checks.

TEXT OF SUGGESTED AMENDMENTS TO REGULATION J.

(a) Amendment to paragraph (4) of Section V of Regulation J, which was recommended by a majority of the last Conference of Counsel and of the Governors' Conference and was adopted by the Federal Reserve Board but has never become effective, to make that paragraph read as follows:

> "(4) Checks received by a Federal reserve bank on its member or nonmember clearing banks will ordinarily be forwarded or presented direct to such banks and such banks will be required to remit or pay therefor at par in cash, by bank drafts acceptable to the collecting Federal reserve bank, by telegraphic transfers of bank credits acceptable to the collecting Federal reserve bank, or by authorizing the collecting Federal reserve bank to charge their reserve accounts or clearing accounts."

(b) An amendment to paragraph (6) of Section V of Regulation J, which was recommended by a majority of the last Conference of Counsel and of the Governors' Conference and was adopted by the Federal Reserve Board but never became effective, to make that paragraph read as follows:

> "(6) The amount of any check for which payment in actually and finally collected funds is not received shall be charged back to the forwarding bank, regardless of whether or not the check itself can be returned. In such event, neither the owner or holder of any such check, nor the bank which sent such check to the Federal reserve bank for collection, shall have any right of recourse upon, interest in, or right of payment from, any fund, reserve, collateral, or other property of the drawee bank in the possession of the Federal reserve bank."

(c) Two amendments to paragraph (6) of Section V of Regulation J, each intended to meet the suggestion of Deputy Governor Blair of the Federal Reserve Bank of Chicago. One of these amendments would make paragraph (6) read as follows:

"The amount of any check for which payment in actually and finally collected funds is not received shall be charged back to the forwarding bank, regardless of whether or not the check itself can be returned. In such event, neither the owner or holder of any such check, nor the bank which sent such check to the Federal reserve bank for collection, shall have any right or recourse upon, interest in, or payment from, any fund, reserve, collateral, or other property of the drawee bank or of any bank to which such checks had been sent for collection in the possession of the Federal reserve bank."

The other amendment would make paragraph (6) read as follows:

"The amount of any check for which payment in actually and finally collected funds is not received shall be charged back to the forwarding bank regardless of whether or not the check itself can be returned. In such event, neither the owner nor holder of any such check, nor the bank which sent such check to the Federal reserve bank for collection, shall have any right of recourse upon, interest in, or right of payment from, any funds received, collateral, or other property of the drawee bank, or other agent, in the possession of the Federal reserve bank."

(d) An amendment to paragraph (6) of Section V of Regulation J suggested by Mr. Agnew in his letter of April 18, 1929, to Mr. Wyatt, to add to that paragraph the following sentence:

"No draft, authorization to charge or other order upon funds of a remitting bank in the possession of a Federal Reserve Bank, issued for the purpose of settling items handled under the terms of this Regulation, will be paid after receipt by such Federal Reserve Bank of notice of suspension of such remitting bank."

(e) An amendment to paragraph (4) of Section V of Regulation J suggested by Mr. Logan in his letter of May 6, 1929 to Mr. Wyatt, to make that paragraph read as follows:

"(4) Checks received by a Federal reserve bank on its member or nonmember clearing banks will ordinarily be forwarded or presented direct to such banks and such banks will be required to remit or pay therefor at par.

"Such remittance or payment may be made in cash, or by bank draft acceptable to the collecting Federal reserve bank, or with the consent of the collecting Federal reserve bank by authorized charges against balances with it, or by other funds or transfers acceptable to the collecting Federal reserve bank."

(f) An amendment to paragraph (6) of Section V of Regulation J, suggested by Mr. Logan in his letter of April 4, 1930, and by Mr. Agnew in his letter of April 25, 1930, to make that paragraph read as follows:

"(6) The amount of any check for which payment in actually and finally collected funds is not received shall be charged back to the forwarding bank, regardless of whether or not the check itself can be returned. In such event, neither the owner or holder of any such check, nor the bank which sent such check to the Federal reserve bank for collection, shall have any right of recourse upon, interest in, or right of payment from the reserve balance of the drawee bank with the Federal reserve bank."

(g) Amendments to paragraphs (2) and (3) of Section IV of Regulation J suggested by Mr. Logan in his letter of April 9, 1930 to Mr. Wyatt, to add at the end of each of these paragraphs the following:

"provided, however, that the Federal reserve bank may in its discretion refuse at any time to permit the withdrawal or other use of credit given for any item for which the Federal reserve bank has not yet received payment in actually and finally collected funds."

(h) A proposed revision of Section V of Regulation J prepared by Mr. Wyatt and attached hereto.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6610

May 29, 1930.

SUBJECT: Expenses of Federal Reserve Banks in handling matters for Federal Farm Board.

Dear Sir:

Reference is made to the Board's letter of March 18, 1930 (X-6540) with regard to a recent decision of the Comptroller General of the United States as to the payment of expenses incurred in connection with loans made by the Federal Farm Board.

For your further information in this connection there are enclosed herewith copies of correspondence between the Federal Reserve Board and the Federal Farm Board with regard to this question.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

Enclosures.

TO GOVERNORS OF ALL F. R. BANKS.

COPY

X-6610-a

FEDERAL FARM BOARD

Washington, D. C.

May 21, 1930.

Mr. E. M. McClelland,
Asst. Secy., Federal Reserve Board,
Washington, D. C.

Dear Mr. McClelland:

Reference is made to your letter of May 9, the receipt of which was acknowledged under date of May 10, relating to the question of reimbursing the Federal Reserve Banks for expenses incurred by them in connection with the work of the Federal Farm Board.

The Board greatly appreciates the desire to cooperate on the part of the Federal Reserve Banks as evidenced by the copies of letters forwarded by you and desires of course to meet the wishes of the various banks with respect to the procedure to be followed in making reimbursement to the extent that it is able to do so under the ruling of the Comptroller General on the subject.

At the present time, with but one or two exceptions, the only services being performed by the Federal Reserve Banks for the Federal Farm Board are those of receiving remittances forwarded to them and depositing the proceeds of such remittances to the credit of the Revolving Fund of the Federal Farm Board with the Treasurer of the United States. The nature of the services performed by the Federal Reserve Banks in behalf of the Federal Farm Board are not at all analogous to those performed by such banks acting in the capacity of fiscal agents and custodians for the War Finance Corporation, which services embraced the custody and handling for collection of all notes and securities accepted by that corporation in connection with advances made by it. At the present time, with the exception of warehouse receipts and other documents representing commodities against which the Federal Farm Board has made advances which are held by commercial banks as custodians all notes evidencing advances made by the Board and securities pledged in connection therewith are held in Washington, and all matters

Mr. E. M. McClelland - #2

relating to billing and the entering of items for collection are likewise handled from here rather than by the Federal Reserve Banks.

With the exception of the Federal Reserve Bank of San Francisco, copies of the letters from the several other Federal Reserve Banks which were enclosed in your letter of May 9 do not indicate that the banks involved contemplate making any charge for the services rendered by them at the present time. The Federal Reserve Bank of San Francisco is acting as custodian in connection with one of the loans made by the Board and as pointed out in the letter from that bank satisfactory arrangements have been made for the payment of bills rendered covering services performed by it.

The Board will be glad to guarantee the payment of all legitimate and reasonable charges which may be made by the Federal Reserve Banks to the extent that it may be able to do so under the terms of the ruling of the Comptroller General referred to.

Assuring you of our appreciation of your cooperation, I am

Very truly yours,

(Signed) Chris L. Christensen,
Secretary.

COPY X-6610-b

May 9, 1930.

Federal Farm Board,
Washington, D. C.

Gentlemen:

When the attention of the Federal Reserve Board was directed to a decision rendered by the Comptroller General of the United States on February 24, 1930, the apparent effect of which is that Federal reserve banks in handling matters for the Federal Farm Board as fiscal agent of the United States should look to the borrowers from the Federal Farm Board rather than to the Farm Board itself for reimbursement for any expenses incurred, a copy of the Comptroller's decision was sent to each Federal reserve bank for its information. In response to the Board's letter replies have been received from four Federal reserve banks setting forth the views of these banks in the matter and making certain suggestions in regard thereto. A copy of the Board's letter and a copy of the letter received from each of the Federal reserve banks on this subject are enclosed herewith.

These letters are submitted to you for your information as to the views of these particular Federal reserve banks with respect to the manner in which expenses incurred in handling matters for the Federal Farm Board should be reimbursed. It is hoped that the Federal Farm Board will find it possible, notwithstanding the decision of the Comptroller General, to arrange this matter in a manner which will be satisfactory to the Federal reserve banks with which transactions of this kind are had.

By Order of the Federal Reserve Board.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

Enclosures.

GBV sad

FEDERAL RESERVE BOARD

WASHINGTON

X-6611

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

June 3, 1930.

SUBJECT: Amendment to Regulation A, Series of 1930.

Dear Sir:

There is enclosed herewith a copy of Regulation A, Series of 1930, which has been tentatively adopted by the Federal Reserve Board. The amendments embodied in this new Regulation are as follows:

1. In subsection (d) of Section I so as to conform to the Act of April 12, 1930, which amended the fourth paragraph of Section 13 of the Federal Reserve Act so as to permit Federal reserve banks to rediscount for member banks the same amount of paper of any one borrower which a national bank is permitted to acquire from a single borrower under the terms of Section 5200 of the Revised Statutes as amended by the McFadden Act.

2. In Section VII so as to conform to the Act of May 29, 1928, which amended the third paragraph of Section 13 so as to permit the rediscount of sight drafts (a) when drawn to cover the shipment of non-agricultural, nonperishable, readily marketable staples as well as nonperishable, readily marketable, staple agricultural products, and (b) when drawn to finance the exportation of such staples as well as the domestic shipment thereof.

3. To conform to the provisions of the Act of June 17, 1929, authorizing the issuance of Treasury bills, by substituting "obligations of the Government of the United States" wherever the Regulation previously contained the words "bonds and notes of the Government of the United States" or "bonds or notes of the United States", and adding a definition of the first phrase by footnote.

The Regulation also embodies the amendment to Section VI (d), of which you were advised in X-6123 dated August 30, 1928, and the amendment to Section XI (3), set out in the Board's letter X-6156 dated October 11, 1928.

Before making this new Regulation effective, the Federal Reserve Board requests that you furnish it, at your earliest convenience, with any comments or suggestions you may have to offer regarding the amendments, or advise it if you feel that they are in satisfactory form.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

Enclosure. TO ALL GOVERNORS AND CHAIRMEN OF F. R. BANKS.

REGULATIONS OF THE FEDERAL RESERVE BOARD

Regulation A, Series of 1930

(Superseding Regulation A of 1928)

DISCOUNTS UNDER SECTIONS 13 and 13a

ARTICLE A

Notes, Drafts, and Bills of Exchange

Section I. General Statutory Provisions.

Any Federal reserve bank may discount for any of its member banks any note, draft, or bill of exchange: Provided-

(a) It has a definite maturity at the time of discount of not more than 90 days, exclusive of days of grace; except that (1) if drawn or issued for an agricultural purpose or based on livestock, it may have a maturity at the time of discount of not more than nine months, exclusive of days of grace, and (2) certain bills of exchange payable at sight or on demand are eligible even though they have no definite maturity (see Section VII, below);

(b) It has been issued or drawn for an agricultural, industrial, or commercial purpose, or the proceeds have been used or are to be used for such a purpose, or it is a note, draft, or bill of exchange of a factor issued as such making advances exclusively to producers of staple agricultural products in their raw state;

(c) It was not issued or drawn for the purpose of carrying or trading in stocks, bonds, or other investment securities, except obligations of the Government of the United States; [1]

[1] When used in this regulation , the words "obligations of the Government of the United States" shall be construed to include only bonds, notes, certificates of indebtedness and Treasury bills of the Government of the United States.

(d) The aggregate of notes, drafts, and bills upon which any person, copartnership, association,or corporation is liable as maker, acceptor, indorser, drawer, or guarantor, rediscounted for any member bank, shall at no time exceed the amount for which such person, copartnership, association, or corporation may lawfully become liable to a national banking association under the terms of section 5200 of the Revised Statutes, as amended;

(e) It is indorsed by a member bank; and

(f) It conforms to all applicable provisions of this regulation.

No Federal reserve bank may discount for any member State bank or trust company any of the notes, drafts, or bills of exchange of any one borrower who is liable for borrowed money to such State bank or trust company in an amount greater than that which could be borrowed lawfully from such State bank or trust company were it a national banking association.

Any Federal reserve bank may make advances to its member banks on their promissory notes for a period not exceeding 15 days, provided that they are secured by notes, drafts, bills of exchange, or bankers' acceptances which are eligible for discount or for purchase by Federal reserve banks, or by the deposit or pledge of obligations of the Government of the United States.

Section II. General Character of Notes, Drafts, and Bills of Exchange Eligible.

The Federal Reserve Board, exercising its statutory right to define the character of a note, draft, or bill of exchange eligible for discount at a Federal reserve bank has determined that--

(a) It must be a negotiable note, draft, or bill of exchange which has been issued or drawn, or the proceeds of which have been used or are to be

used in the first instance, in producing, purchasing, carrying, or marketing goods[2] in one or more of the steps of the process of production, manufacture, or distribution, or for the purpose of carrying or trading in obligations of the Government of the United States, and the name of a party to such transaction must appear upon it as maker, drawer, acceptor, or indorser.

(b) It must not be a note, draft, or bill of exchange the proceeds of which have been or are to be advanced or loaned to some other borrower, except as to paper described below under Sections VI (b) and VIII.

(c) It must not be a note, draft, or bill of exchange the proceeds of which have been used or are to be used for permanent or fixed investments of any kind, such as land, buildings, or machinery, or for any other capital purpose.

(d) It must not be a note, draft, or bill of exchange the proceeds of which have been used or are to be used for investments of a purely speculative character.

(e) It may be secured by the pledge of goods or collateral of any nature, including paper which is ineligible for discount, provided it (the note, draft, or bill of exchange) is otherwise eligible.

Section III. Applications for Discount.

Every application for the discount of notes, drafts, or bills of exchange must contain a certificate of the member bank, in form to be prescribed by the Federal reserve bank, that--

(1) To the best of its knowledge and belief, such notes, drafts, or bills of exchange have been issued or drawn, or the proceeds thereof have been or are

[2] When used in this regulation the word "goods" shall be construed to include goods, wares, merchandise, or agricultural products, including livestock.

to be used, for such a purpose as to render them eligible for discount under the terms of this regulation, and

(2) That such notes, drafts, or bills of exchange have not been acquired from a nonmember bank, or, if so acquired, that the applying member bank has received permission from the Federal Reserve Board to discount with the Federal reserve bank paper acquired from nonmember banks.

In the case of a member State bank or trust company, every such application must contain a certificate or guaranty to the effect that the borrower is not liable, and will not be permitted to become liable during the time his paper is held by the Federal reserve bank, to such bank or trust company for borrowed money in an amount greater than that which could be borrowed lawfully from such State bank or trust company were it a national banking association.

Section IV. Promissory Notes.

(a) Definition.- A promissory note, within the meaning of this regulation, is defined as an unconditional promise, in writing, signed by the maker, to pay, in the United States, at a fixed or determinable future time, a sum certain in dollars to order or to bearer.

(b) Evidence of eligibility and requirement of statements.- A Federal reserve bank must be satisfied by reference to the note or otherwise that it is eligible for discount, and the member bank shall certify in its application whether a financial statement of the borrower is on file with it.

A recent financial statement of the borrower must be on file with the member bank if it has discounted the note for a nondepositor or a nonmember bank, and in all other cases unless--

(1) It is secured by a warehouse, terminal, or other similar receipt covering goods in storage, by a valid prior lien on livestock which is being

marketed or fattened for market, or by obligations of the Government of the United States; or

(2) The aggregate of obligations of the borrower discounted and offered for discount at the Federal reserve bank by the member bank is less than a sum equal to 10 per cent of the paid-in capital of the member bank and is less than $5,000.

Whenever the borrower has closely affiliated or subsidiary corporations or firms, the borrower's financial statement shall be accompanied by separate financial statements of such affiliated or subsidiary corporations or firms, unless the statement of the borrower clearly indicates that such note is both eligible from a legal standpoint and acceptable from a credit standpoint or unless financial statements of such affiliated or subsidiary corporations or firms are on file with the Federal reserve bank.

A Federal reserve bank shall use its discretion in taking the steps necessary to satisfy itself as to eligibility. Compliance of a note with Section II (c) may be evidenced by a statement of the borrower showing a reasonable excess of quick assets over current liabilities. A Federal reserve bank may, in any case, require the financial statement of the borrower to be filed with it.

Section V. Drafts, Bills of Exchange, and Trade Acceptances.

(a) Definition.-- A draft or bill of exchange, within the meaning of this regulation, is defined as an unconditional order in writing, addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay in the United States, at a fixed or determinable future time, a sum certain in dollars to the order of a specified person; and a trade

acceptance is defined as a draft or bill of exchange, drawn by the seller on the purchaser of goods sold,[3] and accepted by such purchaser.

(b) Evidence of eligibility and requirement of statements.-- A Federal reserve bank shall take such steps as it deems necessary to satisfy itself as to the eligibility of the draft, bill, or trade acceptance offered for discount and may require a recent financial statement of one or more parties to the instrument. The draft, bill, or trade acceptance should be drawn so as to evidence the character of the underlying transaction, but if it is not so drawn evidence of eligibility may consist of a stamp or certificate affixed by the acceptor or drawer in a form satisfactory to the Federal reserve bank.

Section VI. Agricultural Paper

(a) Definition.-- Agricultural paper, within the meaning of this regulation, is defined as a negotiable note, draft, or bill of exchange issued or drawn, or the proceeds of which have been or are to be used, for agricultural purposes, including the production of agricultural products, the marketing of agricultural products by the growers thereof, or the carrying of agricultural products by the growers thereof pending orderly marketing, and the breeding, raising, fattening, or marketing of livestock, and which has a maturity at the time of discount of not more than nine months, exclusive of days of grace.

(b) Paper of cooperative marketing associations.-- Under the express terms of section 13a, notes, drafts, bills of exchange, or acceptances issued or drawn by cooperative marketing associations composed of producers of agricultural products are deemed to have been issued or drawn for an agricultural

[3] A consignment of goods or a conditional sale of goods can not be considered "goods sold" within the meaning of this clause. The purchase price of goods plus the cost of labor in effecting their installation may be included in the amount for which the trade acceptance is drawn.

purpose, if the proceeds thereof have been or are to be--

(1) Advanced by such association to any members thereof for an agricultural purpose; or

(2) Used by such association in making payments to any members thereof on account of agricultural products delivered by such members to the association; or

(3) Used by such association to meet expenditures incurred or to be incurred by the association in connection with the grading, processing, packing, preparation for market, or marketing of any agricultural product handled by such association for any of its members.

These are not the only classes of paper of such associations which are eligible for discount, however, and any other paper of such associations which complies with the applicable requirements of this regulation may be discounted on the same terms and conditions as the paper of any other person or corporation.

Paper of cooperative marketing associations the proceeds of which have been or are to be used (1) to defray the expenses of organizing such associations, or (2) for the acquisition of warehouses, for the purchase or improvement of real estate, or for any other permanent or fixed investment of any kind, are not eligible for discount, even though such warehouses or other property are to be used exclusively in connection with the ordinary operations of the association.

(c) Eligibility.-- To be eligible for discount, agricultural paper, whether a note, draft, bill of exchange, or trade acceptance, must comply with the respective sections of this regulation which would apply to it if its maturity were 90 days or less.

(d) Discounts for Federal intermediate credit banks.-- Any Federal reserve bank may discount agricultural paper for any Federal intermediate credit bank;

but no Federal reserve bank shall discount for any Federal intermediate credit bank any such paper which bears the indorsement of any nonmember State bank or trust company which is eligible for membership in the Federal reserve system under the terms of section 9 of the Federal Reserve Act as amended. In discounting such paper each Federal reserve bank shall give preference to the demands of its own member banks and shall have due regard to the probable future needs of its own member banks. Except with the permission of the Federal Reserve Board, no Federal reserve bank shall discount paper for any Federal intermediate credit bank when its own reserves amount to less than 50 per cent of its own aggregate liabilities for deposits and Federal reserve notes in actual circulation. Except with the permission of the Federal Reserve Board, the aggregate amount of paper discounted by all Federal reserve banks for any one Federal intermediate credit bank shall at no time exceed an amount equal to the paid-up and unimpaired capital and surplus of such Federal intermediate credit bank.

(e) Limitations.-- The Federal Reserve Board prescribes no limitation on the aggregate amount of notes, drafts, bills of exchange, and acceptances with maturities in excess of three months, but not exceeding six months, exclusive of days of grace, which may be discounted by any Federal reserve bank; but the aggregate amount of notes, drafts, bills of exchange, and acceptances with maturities in excess of six months, but not exceeding nine months, which may be discounted by any Federal reserve bank shall not exceed 10 per cent of its total assets.

Section VII. Sight Drafts Secured by Bills of Lading.

A Federal reserve bank may discount for any of its member banks bills of exchange payable at sight or on demand which-

(a) Grow out of the domestic shipment or the exportation of nonperishable, readily marketable staples; and

(b) Are secured by bills of lading or other shipping documents conveying or securing title to such staples.

All such bills of exchange shall be forwarded promptly for collection, and demand for payment shall be made promptly, unless the drawer instructs that they be held until arrival of car, in which event they must be presented for payment within a reasonable time after notice of arrival of such staples at their destination has been received. In no event shall any such bill be held by or for the account of a Federal reserve bank for a period in excess of 90 days.

In discounting such bills Federal reserve banks may compute the interest to be deducted on the basis of the estimated life of each bill and adjust the amount thus deducted after payment of such bills to conform to the actual life thereof.

Section VIII. Factors' Paper.

Notes, drafts, and bills of exchange of factors issued as such for the purpose of making advances exclusively to producers of staple agricultural products in their raw state are eligible for discount with maturities not in excess of 90 days, exclusive of days of grace, irrespective of the requirements of Sections II (a) and II (b).

Section IX. Paper Acquired From Nonmember Banks.

(a) Except with the permission of the Federal Reserve Board, no Federal

reserve bank shall discount any paper acquired by a member bank from a nonmember bank or bearing the signature or indorsement of a nonmember bank; except that Federal reserve banks may discount bankers' acceptances and other eligible paper bearing the signature or indorsement of a nonmember bank, if such paper was bought by the offering bank in good faith on the open market from some party other than the nonmember bank.

(b) Applications for permission to rediscount paper acquired from nonmember banks shall be made in writing by the member banks which desire to offer such paper for rediscount and shall state fully the facts which gave rise to each application and the reasons why the applying member banks feel justified in seeking such permission. Such applications shall be addressed to the Federal Reserve Board, but shall be filed with the Federal reserve agent, who shall forward them promptly to the Federal Reserve Board with his recommendations.

(c) The Federal Reserve Board hereby grants its permission for Federal reserve banks to discount for member banks paper bearing the signature or indorsement of Federal intermediate credit banks, if such paper is otherwise eligible under the law and this regulation.

ARTICLE B.

Bankers' Acceptances[4]

Section X. Definition.

A banker's acceptance within the meaning of this regulation is defined as a draft or bill of exchange, whether payable in the United States or abroad and whether payable in dollars or some other money, of which the acceptor is a bank or trust company, or a firm, person, company, or corporation engaged generally in the business of granting bankers' acceptance credits.

[4] For regulations governing the acceptance by member banks of drafts and bills of exchange drawn on them, see Regulation C, p.12.

Section XI. Eligibility.

A Federal reserve bank may discount any such bill bearing the indorsement of a member bank and having a maturity at the time of discount not greater than that prescribed by Section XII (a), which has been drawn under a credit opened for the purpose of conducting or settling accounts resulting from a transaction or transactions involving any one of the following:

(1) The shipment of goods between the United States and any foreign country, or between the United States and any of its dependencies or insular possessions, or between foreign countries, or between dependencies or insular possessions and foreign countries;

(2) The shipment of goods within the United States, provided shipping documents conveying security title are attached at the time of acceptance; or

(3) The storage in the United States or in any foreign country of readily marketable staples,[5] provided that the bill is secured at the time of acceptance by a warehouse, terminal, or other similar receipt, conveying security title to such staples, issued by a party independent of the customer or issued by a grain elevator or warehouse company duly bonded and licensed and regularly inspected by State or Federal authorities with whom all receipts for such staples and all transfers thereof are registered and without whose consent no staples may be withdrawn; and provided further that the acceptor remains secured throughout the life of the acceptance. In the event that the goods must be withdrawn from storage prior to the maturity of the acceptance or the retirement of the credit, a trust receipt or other similar document covering the goods may be substituted in lieu of the original document, provided that such substitution is conditioned upon a reasonably prompt liquidation of the credit. In order to insure compliance with this condition it should be required, when the original document is released, either (a) that the proceeds of the goods will be applied within a specified time toward a liquidation of the acceptance credit or (b) that a new document, similar to the original one, will be resubstituted within a specified time.

Provided, That acceptances for any one customer in excess of 10 per cent of the capital and surplus of the accepting bank must remain actually secured

[5] A readily marketable staple within the meaning of these regulations may be defined as an article of commerce, agriculture, or industry of such uses as to make it the subject of constant dealings in ready markets with such frequent quotations of price as to make (a) the price easily and definitely ascertainable and (b) the staple itself easy to realize upon by sale at any time.

throughout the life of the acceptance, and in the case of the acceptances of member banks this security must consist of shipping documents, warehouse receipts, or other such documents, or some other actual security growing out of the same transaction as the acceptance, such as documentary drafts, trade acceptances, terminal receipts, or trust receipts which have been issued under such circumstances, and which cover goods of such a character, as to insure at all times a continuance of an effective and lawful lien in favor of the accepting bank, other trust receipts not being considered such actual security if they permit the customer to have access to or control over the goods.

A Federal reserve bank may also discount any bill drawn by a bank or banker in a foreign country or dependency or insular possession of the United States for the purpose of furnishing dollar exchange as provided in Regulation C, provided that it has a maturity at the time of discount of not more than three months, exclusive of days of grace.

Section XII. Maturities.

(a) Legal requirements.-- No such acceptance is eligible for discount which has a maturity at the time of discount in excess of 90 days' sight, exclusive of days of grace, except that acceptances drawn for agricultural purposes and secured at the time of acceptance by warehouse receipts or other such documents conveying or securing title covering readily marketable staples may be discounted with maturities at the time of discount of not more than six months' sight, exclusive of days of grace.

(b) General conditions as to maturity of domestic acceptances.-- Although a Federal reserve bank may legally discount an acceptance having a maturity at the time of discount not greater than that proscribed under (a), it may decline to discount any acceptance the maturity of which is in excess of the usual or customary period of credit required to finance the underlying

transaction or which is in excess of that period reasonably necessary to finance such transaction. Since the purpose of permitting the acceptance of drafts secured by warehouse receipts or other such documents is to permit of the temporary holding of readily marketable staples in storage pending a reasonably prompt sale, shipment, or distribution, no such acceptance should have a maturity in excess of the time ordinarily necessary to effect a reasonably prompt sale, shipment, or distribution into the process of manufacture or consumption.

Section XIII. Evidence of Eligibility

A Federal reserve bank must be satisfied, either by reference to the acceptance itself or otherwise, that the acceptance is eligible for discount under the terms of the law and the provisions of this regulation. The bill itself should be drawn so as to evidence the character of the underlying transaction, but if it is not so drawn evidence of eligibility may consist of a stamp or certificate affixed by the acceptor in form satisfactory to the Federal reserve bank.

FEDERAL RESERVE BOARD

WASHINGTON

X-6612 567

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

June 3, 1930.

SUBJECT: Amendment To Regulation K.

Dear Sir:

This is to advise you that the Federal Reserve Board, on May 29, 1930, amended Section IV of Regulation K with regard to the titles of corporations organized under the terms of Section 25(a) of the Federal Reserve Act so as to make Section IV read as follows:

"Section IV. TITLE.

"Inasmuch as the name of the Corporation is subject to the approval of the Federal Reserve Board, a preliminary application for that approval should be filed with the Federal Reserve Board on F.R.B. Form 150, which is made a part of this regulation. This application should state merely that the organization of a Corporation under the proposed name is contemplated and may request the approval of that name and its reservation for a period of 30 days.

"So far as possible the title of the Corporation should indicate the nature or reason of the business contemplated and should in no case resemble the name of any other corporation to the extent that it might result in misleading or deceiving the public as to its identity, purpose, connections or affiliations.

"The title of every such corporation shall include the word "foreign" or the word "international", and no such corporation will be permitted to have the word "bank" as part of its title; Provided, however, that, with the permission of the Federal Reserve Board, which may be granted or withheld in the Board's discretion, any corporation which is closely affiliated with one or more banks and which is organized or operated for the purpose of transacting the foreign banking business of such bank or banks may include the word "bank" in its corporate title and need not include the word "foreign" or the word "international."

This amendment to Regulation K is effective immediately.

By Order of the Federal Reserve Board.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

TO F. R. AGENTS AND GOVERNORS OF ALL F. R. BANKS.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6613

June 3, 1930.

SUBJECT: Amendment to Regulation L.

Dear Sir:

This is to advise you that the Federal Reserve Board on May 14, 1930, amended its Regulation L, effective immediately, so as to conform to the Act of March 2, 1929, exempting from the provisions of the Clayton Act joint stock land banks and "other banking institutions which do no commercial banking business". The amendment to this regulation consists of the addition immediately after paragraph (1) of Section III of Regulation L, of two paragraphs which will read as follows:

> "(2) Do not apply to joint-stock land banks organized under the provisions of the Federal Farm Loan Act.
>
> "(3) Do not apply to banking institutions which do no commercial banking business."

This amended regulation is now being printed and as soon as possible a supply thereof will be furnished you.

By Order of the Federal Reserve Board.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

To Federal Reserve Agents and
Governors of all Federal Reserve Banks.

X-6614

569

ADDRESS OF

HONORABLE EDMUND PLATT
Vice Governor of the Federal Reserve Board

at the June Quarterly Meeting of the

NEW ENGLAND COUNCIL

Poland Spring, Maine.
June 14, 1930.

For release in afternoon papers Saturday, June 14.

We Americans I think are generally rather prone to what might be called doctrinaire positions, that is, we frequently take the position that one method of doing something is the logical and only method and that all other methods are wrong even though we find that other methods are in use in other countries with evident success. Ours is a big country and we are rather bumptious about its great progress and general success. We do not easily see, or if we do see, we are often rather unwilling to admit its shortcomings or to provide remedies. Then when something gets so bad as to force itself on our attention and becomes a subject of rather general agitation we too frequently think that the only remedy consists in passing more laws. Our banking system which grew up originally under state charters has been generally described as an independent unit banking system, with every community large enough to require banking accommodation served by its own local banking corporation. So strongly wedded have most of our bankers been to this system that not a few of them have denounced branch banking as monopolistic and un-American, and some of them appear to believe that the only reason why Canada is not larger than the United States today is because Canada has branch banking.

Now, persons who have given a good deal of time to the study of banking in other countries as well as our own are of the opinion that branch banking has served Canada very well, and has promoted the development of its great West

instead of retarding it. We find, in fact, that interest rates in the prairie provinces of Canada are generally somewhat lower than interest rates in our adjoining states, and we find, furthermore, that a tremendous amount of money has been lost through bank failures in such states as North and South Dakota, Montana and Idaho, while just across the border in Canada there have been no failures during recent years. If the agricultural and economic depression of 1920-21 was the cause of a great number of bank failures in the great agricultural sections of the United States why did it not cause an equal number of failures across the line where conditions were practically the same? It seems obvious that our banking system itself must have been at least somewhat at fault - that it was not strong enough to stand up under adverse conditions. Looking back into our banking history we find that after every period of business depression many small banks have failed, while as a rule the larger banks in the larger cities have stood the test. You are doubtless familiar with the figures presented by the Comptroller of the Currency, Mr. Pole, in his annual report and in his recent addresses showing that some two-thirds of the bank failures in this country are of banks of small capitalization, $25,000 or less, and that about an equal percentage of the bank failures occur in small towns, towns of 2,500 and less. These figures and their classification by capitalization and by size of communities have been furnished from time to time by the Division of Bank Operations of the Federal Reserve Board and have been published from time to time in the Federal Reserve Bulletin.

No less than 5,642 banks were closed in the years 1921 to 1929, inclusive, most of them in agricultural communities where the people could least afford to lose. "During the last 10 years," said the Comptroller, "and

continuing at the present, bank failures have been a blight on the Mississippi Valley, the South, the Southwest and the Northwest. There are agricultural counties in which every bank has failed." There were 349 failures during the first four months of this year ending April 30th, of which 92 occurred in the month of April. The latest figures show about the same proportion of failures of banks with small capitalization and in small towns. This whole exhibit of failures is a disgrace to the country and certainly should not be permitted to continue if a remedy can be found, whether the remedy is popular or unpopular in the banking fraternity. It is something that business men should take more interest in than they have generally shown in the past.

The problem is not acute in the northeastern states. New England, New York and Pennsylvania have had very few bank failures but they are not so entirely exempt as to make the subject wholly without interest. Two failures have occurred in the Boston Federal Reserve District since the first of January, one in the New York District, two in the Philadelphia District, seven in the Cleveland District. It is interesting to note that all the other districts run into two figures, excepting one, San Francisco, the largest of those with two figures being the Chicago District with 93 failures and the smallest the Dallas District with fourteen. Coming down to the San Francisco District we find only three. The Pacific Coast, therefore, appears to rank with relation to bank failures at least somewhat with the Eastern states, but there we find throughout the great State of California branch banking very highly developed, which at least raises the presumption, the district being largely agricultural, that branch banking may have something to do with the contrast between that district and the agricultural districts of the South and Middle West.

I have been credited with having been something of a pioneer in advocating branch banking as a remedy for bank failures, but branch banking has been recognized as a remedy and has been recommended many times in the past. After the great panic of 1893 we find that two Comptrollers of the Currency in succession, Mr. Eckles and Mr. Charles G. Dawes, recommended branch banking, particularly in the smaller communities. Mr. Dawes recommended that branches be allowed in towns of 2,000 or less, but he coupled this recommendation with a rather violent argument against a general or nation-wide branch banking development and did not follow it up.

In May 1902, Mr. James B. Forgan, Chairman of the First National Bank of Chicago, one of the leading bankers for many years in the United States, delivered an address on branch banking before the Bankers Club at Milwaukee, which attracted considerable attention. Mr. Forgan declared that the development of banking in the United States had been diverted from its natural course by erroneous politics and policy and added:

> "Had banking, as in the case of other lines of business, been allowed to work out its own destiny untrammeled by politics and free from subordination to government necessities a system would ere this have been established which would have made itself felt as a potent factor in the financial affairs of nations. We would also now have a system that would stand together for the public benefit in times of financial distress. As it is today we have no banks that will compare in financial strength and power with those of other countries. While actively competing with other nations in the fields of commerce and industry, it must be admitted that in the world's finance we are away behind in the race; nor does our system even satisfactorily provide for our own domestic requirements. The need of coalition among our unit banks is urgent."

The passage of the Federal Reserve Act and the development of the Federal Reserve System have changed some of the worst conditions that Mr. Forgan complained of, and we have had coalitions in the large cities which <u>have</u> given us banks which do compare in financial strength and power with those of other countries. It is claimed that we have one or two banks in New York since the latest mergers larger than any bank in any other country - but

there is still urgent need of coalition among our small unit banks in the agricultural sections of the country. Mergers have gone a long way, possibly too far, in the big cities but they have been practically forbidden to country banks. If you attempt to merge two banks in towns located ten or twenty miles apart in the same county but not within the same municipal limits you cannot under federal law keep both offices open. The McFadden Act of February 1927 permits mergers and branches in cities where state banks can have branches but prohibits mergers and branches in country districts if the banks belong to the Federal Reserve System even though state laws permit and encourage branches.

This prohibition has had a rather serious effect in one of our southern Federal reserve districts, the Richmond District, where considerable numbers of country banks, some of them rather sizeable, have withdrawn from the Federal Reserve System in order to enter branch banking organizations under state laws. This development has been mostly in North and South Carolina, and Governor Seay of the Federal Reserve Bank of Richmond has stated in a recent letter that "The aggregate deposits of banks which have relinquished membership because of the present status of the law relating to branch banking was about $75,000,000" - during 1929 and to date of letter in 1930. Further commenting upon these conditions in a letter dated May 20th, Governor Seay says, "The extent to which branch banking shall be permitted, that is, whether it shall be country-wide or shall have commercial or Federal reserve zones may be debatable; but I do not think it is any longer debatable as to whether member banks in the Federal Reserve System shall be able to establish branches throughout states which permit their own state banking institutions to establish branches."

This statement it seems to me should have general endorsement. There is no reason that I can see why national banks and member state banks should not be allowed the same privileges with relation to branch banking that are allowed to state banks in the states where branch banking is permitted. A few banks have been lost to the Federal Reserve System in other Reserve Districts through the branch banking restrictions of the McFadden Act, one of them here in the State of Maine. It is obvious, of course, that the recent rapid development of branch banking in the Carolinas has been chiefly due to economic reasons. Many small banks have failed within the last five years and the people have turned to branch banking as a remedy. Why try to restrain such a natural and necessary movement by law?

The general conception of branch banking on the part of many of the bankers who have participated in the debate on the subject is that of a "reaching out" of banks in the large cities into the country. That conception was recently expressed by Mr. C. T. Zimmerman, President of the First National Bank of Huntingdon, Pa., in an article, published in the "Bankers Magazine," in which he said, "Merging of city banks in order to handle larger financing is doubtless justifiable in this trend, but to enable them to reach out for control of country banks is not justifiable." It didn't seem to occur to Mr. Zimmerman that country banks could merge if allowed to have branches, without reference to, or connection with any large city. The Comptroller's proposed amendment to the banking laws might well prohibit banks in central reserve cities, that is New York and Chicago, from establishing branches outside city limits, unless in immediately adjoining suburban territory - for two reasons. In the first place, they never would put branches in small towns where bank failures mostly occur. Their idea of branch banking is to have branches only in the larger cities,

which would not accomplish anything so far as the prevention of failures is concerned. Furthermore, they have no need of branches as they already do a very large part of the best business all over the country without the expense of maintaining branches. In almost every small city and in many of the rather large cities there are large industries and people of wealth who find the local banking facilities too small for their purpose and, therefore, carry accounts in New York or Chicago. This brings up the Comptroller's point that to permit branch banking in "trade areas" would decentralize credit, that is, would create banking institutions in what New York sometimes calls the Hinterland large enough to handle much of the business now forced into New York because our unit banks in a very great number of places are too small to handle it.

It does not seem to be clearly understood that the unit banking system, carried to such an extreme as we have carried it in this country, forces banking business into the big cities and particularly into New York that could and should be done elsewhere, and also fosters speculation by forcing money into Wall Street to be loaned to brokers that might frequently be loaned, if not at home, at least to industries in the same state or in the same general neighborhood. Some economists have recognized this fact, but I think it was never forcefully presented until Comptroller Pole's recent address. It's truth can be amply proven. Early in 1926 there was formed in South Carolina a combination of three banks under the auspices of the Bank of Charleston, which after the necessary consolidations became the South Carolina National Bank. Interests connected with the Bank of Charleston, of which Mr. R. S. Small was the president, acquired control of the Norwood National Bank of Greenville in the Piedmont section and the Carolina National Bank in Columbia, in the center of the state. These three banks became state banks for a brief period and were consolidated under state laws, the

Greenville bank and the Columbia bank becoming branches of the bank in Charleston. They were then converted into a national bank with branches under the provisions of the Act of 1865 (a wise provision of law unhappily repealed by the McFadden Act in 1927). In a circular letter issued to the shareholders of the Bank of Charleston, N.B.A., in January 1926, Mr. Small stated that it was planned to consolidate these three banks into one corporation, in order, first, to be able to compete with the larger institutions in the North and East for the best class of business in the state and, secondly, he said,

> " It is a fundamental principle of banking that loans should be diversified, but there has not been in the smaller communities throughout the country a proper recognition of what diversification is. In a community like this practically all of our enterprises are dependent upon the results of agriculture, so that the failure of our crops is reflected in losses among our business institutions, and no matter how we may divide our loans among the various kinds of business, the fact that all the businesses are more or less dependent upon agriculture, in the last analysis, means that all our loans are dependent upon agriculture, so that no real diversification is obtained. The demand for money in one locality, such as this, is seasonal, which means that we have a big demand at one season and a small demand at another, resulting in our having to borrow at one season and to lend on call in New York at another, both of which processes are expensive. Through operating in Greenville we diversify our loans by having a number of them dependent upon an entirely different set of conditions, which insures a diversity, not otherwise obtainable, and in addition, the seasonal demand in Greenville for funds is exactly the opposite from Charleston, with a result that it will avoid, to a large extent, the necessity of borrowing at one season and lending on call in New York at another, thus giving us greater diversity and a more uniform demand."

Here is a distinct recognition of the fact that money was loaned on call in New York either from Greenville or from Charleston which could have been loaned in the state if the institutions in both sections of the state could work together. Greenville, as you know, is a manufacturing town and the peak of demands in that section would naturally come at a different time from the peak of demands at Charleston on the seacoast. I understand that the

expectations outlined in this circular letter in 1926 have since been realized and that the institution is successful. That similar conditions obtain in many other states and sections is proven by the testimony of the group bankers recently summoned to the hearing before the Banking and Currency Committee of the House of Representatives. Every one of them stated that they were able through their larger organizations to keep business at home that had before been forced to New York or Chicago. As Mr. Deckor phrased it "We are tired of having the cow fed in Minnesota and milked in New York."

Much interesting information was brought out in these hearings before the Banking and Currency Committee of the House of Representatives on the general subject of branch, group and chain banking. The hearings were the result of the recommendations made by the Comptroller of the Currency in his annual report, and his interesting and very able statement was heard first. When he had presented all his facts and recommendations it seemed to me that there was evidence of considerable change of opinion on the part of several of the members of the Committee, and as the hearings progressed it became evident that there was a rather general feeling that some extension of branch banking would be advisable. Almost all the witnesses, including some of those who came to oppose branch banking, admitted under questioning that there were some places where branches would serve better than small separate corporations. Mr. A. J. Viegel, Banking Superintendent of the State of Minnesota, in a recent statement, mentioned 154 places in that state which previously had supported banks where there are now no banking accommodations whatever, principally because of failures. About one-half of them he said should have some kind of banking service, but he said he could see no way of safely serving them except through branches.

There was much interesting testimony from the representatives of the new group banking organizations in Minneapolis and St. Paul, in Detroit and in

Buffalo. Mr. Decker and Mr. Wakefield who head the two leading group banking organizations in Minneapolis and St. Paul, controlling banks in a territory where failures have been numerous and disastrous, presented rather convincing arguments that their group systems have served a very useful purpose. Both of them denied that they would convert their group banks into branch banks if authority were given them to do so, but they both admitted that their groups included only rather sizeable banks located in rather sizeable towns, and that it would be an advantage if their banks could have branches in the smaller places not now touched by them. Mr. Lord of the Guardian-Detroit group made similar statements, but was rather more willing to admit that branch banking would be more economical and might give better service. With few exceptions the banks in his group are located in cities not smaller than 10,000. Several of the group bankers admitted that if branch banking superseded group banking it would probably result in lower interest rates in the smaller group towns. All of them, however, declared that the banks in their combinations were independent units, each managed by its own local board of directors and each retaining its local pride, even though the stock of the local banks is all owned by holding companies. All thought the group system had some marked advantages, by comparison with branch banking. In the case of all of these new group banking systems the stock of the local banks has been exchanged for stock in the holding companies, so that the old stockholders may be said to retain an interest in their own banks and to have acquired an interest in all the other banks of the group. Mr. Wakefield of the First Bank Stock Corporation said that his group had started to buy control of banks for cash, but had found that did not work well. People were unwilling to sell for cash but

were willing to exchange their stock for stock in the larger corporation. In the Guardian-Detroit group, the holding company stock carries double liability, just as bank stock does.

This system of group banking is new and is certainly different from what has been known for many years as "chain banking" where one man or a group of men have purchased for cash the control of a number of banks. As conducted in the Minneapolis-St. Paul district, in the Detroit district and by the Marine-Midland group of Buffalo, the groups bear a very strong resemblance to branch banking. The men representing them all declared that no single bank in the system could or would be allowed to fail. They declared also that if any individual or industry in any community had need for loans larger than the loaning limit of the local group bank of the community such loans would be taken care of within the group. I agree with Comptroller Pole that this development of group banking should not be checked by law unless something better can be substituted for it. We pass too many restrictive laws. What we want now is something constructive.

This kind of group banking not only resembles branch banking, but probably would have been called branch banking in the days of the old state banks before the Civil War. One of the model branch banking organizations of that period was the Bank of Indiana, of which Hugh McCulloch who became the first Comptroller of the Currency was the president. If you look into the history and structure of the old Bank of Indiana you will find that its branches were pretty nearly independent. As originally organized, the Bank of Indiana was not much more than a board of directors, appointed by the Legislature, with certain supervisory and directory powers, while the branches were independently organized banks with separate stock. The Bank of

Ohio was also a group of pretty nearly independent banks bound together under a modification of the New York safety fund principle. In those days, of course, the emphasis was on giving security to note issues, but the principles are the same when applied to security for deposits. Deposit banking was something which grew up in the cities and was not much understood for a long time outside of the cities. The notion that depositors did not need any special protection persisted for many years after the National Banking Act was passed, and Mr. Thomas P. Kane in his book "The Romance and Tragedy of Banking," published in 1922, declared that with all the numerous amendments of the National Banking Act passed since 1864 not one "can be said to have had for its object the increase of the security of depositors in national banks" until the Federal Reserve Act was passed.

The resemblance of the group banks of today to the branch banks of the days before the Civil War suggests that with proper legal recognition and direction they might be developed into branch banking institutions somewhat of the old type - the branches retaining a considerable amount of independence, but being jointly responsible for the debts of every branch in the group as was the case in the old Bank of Indiana, and each group supervised and in a measure controlled by a central board of directors, under governmental supervision. Possibly such a system of branch banking - a sort of compromise between group and branch banking - would meet the chief objection of many of the ardent opponents of branch banking. I mention this merely as a possibility, and without much confidence that such systems would take care of the very small towns where most of the banking failures occur. It should serve to bring to mind that branch banking need not necessarily be of one pattern. Branch banking can be organized so as to give the

branches a certain amount of independence, and can be organized without any "parent bank" - simply a group of banks in different places operating under one corporation. The head office, where the directors meet and where the corporation books are kept, need not be a bank. I am not quite sure that there must be a "head office" - at any rate one of the institutions in the South operating two banking offices - banks recently consolidated - maintained in recent letters to the Federal Reserve Board that there was no "parent bank" involved, and no "head office." Therefore, they thought they should be allowed to remain in the Federal Reserve System. I thought so myself but our Counsel could not be convinced.

"Whether you like it or not," said Mr. Decker of Minneapolis in his recent statement to the Banking and Currency Committee, "size is fundamental in many lines of business. It certainly is in the banking business." Now, keeping always in mind the main purpose of making our country banks large enough to take care of a larger share of the local business, some of which now goes to New York, and large enough and with diversification enough to be able to stand up in adverse times, what limits should be set, with relation to capital and to extent or number of branches? Mr. Henry Dawes, former Comptroller represents the extreme position of opposition to branches, but admits the necessity of larger banks. He cites the fact that 88 per cent of the failures of the last nine years have been banks with a capital less than $100,000, and recommends that no banks be chartered in the future with a capital less than $100,000. If I understood his recent statement to the Banking and Currency Committee he would not permit smaller country banks to consolidate so as to obtain the requisite capital, if consolidation involved the maintenance of more than one office,

in different places. His idea seemed to be that unless a town or community was large enough to maintain an independent bank with a capital of $100,000 it should depend on the nearest large town - i. e., it should be deprived of convenient banking service. Mr. Dawes took the ground apparently that we must either have nation-wide branch banking, or none at all outside of cities. "It seems to me," he said, "there is no room for compromise on this subject and that a determination should be reached as to whether the United States wishes to embrace a national system of branch banking or to preserve its coordinated independent units. It cannot do both."

I disagree wholly with this dogmatic position. There was more branch banking in the United States 100 years ago, in proportion to population and banking resources, than there is today, and there always has been some branch banking in the United States. In fact there always has been some branch banking in the National Banking System, and I think it can be shown that not quite all of it came in through conversion of state banks. There is no clear evidence that the Congresses of Civil War days in enacting the National Banking Act had any intention of prohibiting branch banking, and I am informed that the Comptroller's office did not finally pass upon the question until 1902. In 1911 Attorney General Wickersham delivered an opinion adverse to branches in the case of the Lowry National Bank of Atlanta, an opinion later much modified by Attorney General Daugherty who Oct. 3, 1923, found in favor of additional offices within city limits. The matter was never definitely decided by the Supreme Court, the St. Louis case in 1924 having turned on enforcement of a state law. Now and then National banks opened outside offices and sometimes they withstood the Comptroller's criticisms for a considerable period. The Citizens National

Bank of Newport, New Hampshire, was given a certificate by the Comptroller on March 27th last for the operation of a branch at Warner, in an adjoining county, on the ground that the branch had been operated for the past 25 years. There are today (April 8th figures) 273 banks in the United States maintaining 570 branches outside so-called city limits without counting California. Twelve of them are National banks maintaining 28 branches. North Carolina heads the list with 34 banks maintaining 66 outside branches. California has two less banks (32) with outside branches, but the number of branches is much greater, 547, of which 313 are branches of National banks. Of the banks maintaining outside branches 52 are in New England, 22 of them in Maine, the Maine banks maintaining 57 branches. The Maine law, permitting branches in the county of the parent bank and any adjoining county seems to me excellent, and the limit it provides would be sufficient, I think in any Eastern state. In Western states where there is much less diversification of industries the limit should doubtless be much wider, perhaps in some districts comprising more than one state.

Branch banking can be limited in any way desired - by territory to be covered, by number of branches to be allowed each bank, or by the size of the places in which branches may be organized. As four-fifths of all bank failures have occurred in places of less than 2,500 inhabitants the law might provide that no more unit banks should be incorporated in places of less size, branches to be authorized instead. There is no reason why we should decide now with relation to what kind of banking may seem desirable to the people fifty or 100 years from now, and no reason why we should not apply a desirable and well proven remedy within limits now because of fear that some future generation may decide to enlarge the limits.

Banks have a common law right to establish branches. This was generally recognized in the early days of our nation's history. In many states they have lost this right through restrictive legislation, some of it not originally intended to prohibit branches. The obvious thing to do is to repeal some of the restrictions and allow some freedom of natural development. I do not believe that there would be any rapid or dangerous development, if the establishment of branches were permitted within trade areas as the Comptroller suggests. I do not believe that any Comptroller would permit a dangerous or a very rapid development, and the history of branch banking where long authorized by state laws seems to indicate (with the single exception of California) that development would proceed slowly anyway. Branch banking is really a country bank proposition. New York and Chicago bankers are generally opposed to it (witness the testimony of Mr. George W. Davison of the Central-Hanover) having learned many years ago that correspondent banking serves them best. As long as the banking units out in the states can be kept comparatively small the biggest and best business must come to the big cities, and the country banks themselves through their correspondent accounts must furnish a large part of the funds with which this business is taken care of. The present system suits Wall Street bankers exactly, and why should they worry over the continued failures of a lot of little banks off somewhere in the distant prairies?

I suggest as the first amendments necessary to remedy the present disgraceful situation with relation to bank failures that national banks be given the same privileges with relation to branches that state banks have, and second that in all states national banks should be permitted to establish branches through consolidations in trade areas, which might well start with the limits of the present Maine law, with discretion to the Comptroller for extension where necessary in order to secure the diversification essential to safety.

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X-6615

FEDERAL RESERVE BANK

OF RICHMOND

June 2, 1930

Federal Reserve Board,
Washington, D.C.

Attention: Mr. Walter Wyatt, General Counsel.

My dear Mr. Wyatt:

I received your letter of May 14th with its enclosures and the letter of May 28th from Mr. Vest enclosing a program of topics for the approaching Conference of Counsel for Federal Reserve Banks. You of course know my views upon the advisability of adopting in principle the recommendations of the Counsel of Federal Reserve Banks adopted at the conference held in March of last year. Assuming, however, that the revision of Regulation J proposed by you is designed to put that principle into operation, I wish to say that the form of the regulation is entirely acceptable to me, as it seems to me that it has clearly and unequivocally defined its objects and cleared up one or two points which the recommendations at the last conference left in doubt.

There are, however, two minor points which I desire to bring to your attention. The operating departments of this bank seem to consider that the use of authorizations to charge the reserve account rather than drafts drawn on this bank tends to simplify accounting methods. I am therefore suggesting that the footnote on Page 2 is superfluous. Paragraph 4 on Page 3, as drawn by you, indicates clearly that the specific authorizations are subject to acceptance by Federal reserve banks, and it therefore does not seem necessary to discourage the use of specific authorizations rather than drafts.

There is another small point to which I wish to call your attention in connection with the concluding lines of Paragraph 4 on Page 3 of the proposed amendment to Regulation J. It sometimes happens that a member bank sends to a Federal reserve bank either immediate credit checks or drafts payable in the city of the Federal reserve bank. These are received at the opening of business and accordingly credited to the account of the member bank, thus giving the member bank an apparently available balance although the credit items have not been actually collected. If a draft from this bank or an authorization was received on the same morning, it would in ordinary course be charged against this apparent balance; but it might happen that the immediate credit checks or the drafts would be dishonored that day and so it would appear that the charge had been made against an apparently available balance but not against an actually available balance. A particular case will illustrate my meaning. When the Commercial National Bank of Statesville failed, it had at the opening of business on the day prior to its closing a balance of a few thousand dollars. On the day before its closing it made transfers and other deposits which brought its balance up to approximately $17,000.00. It also deposited a draft payable in Charlotte, N. C.,

for about $12,000.00. The Statesville bank was doing business with the Charlotte Branch and was immediately credited with the amount of the Charlotte draft. On the same day we received the usual authorizations directing us to charge its reserve account with cash letters totaling $21,000.00. This charge was made on the afternoon of that day. After the charge was made the $12,000.00 draft was dishonored and charged back to the account of the Statesville bank, creating an apparent overdraft. We reversed our charge for the cash letters and charged the items in them back to our endorsing banks, thus leaving a credit balance of approximately $17,000.00. We held this balance pending the decision in the Early case. A suit was brought against this bank by the holder of a check in our cash letter alleging negligence and also claiming an equitable lien on the reserve balance. This case was recently tried and the court dismissed the action in so far as it depended upon negligence, but sustained it in so far as the lien upon the reserve balance was concerned, holding that that point was governed by the Early case.

The case which I mention arose before February 1, 1929, and the Comptroller admitted that the Early case applied.

I was a little uneasy for fear that the plaintiff would make the point that the charging of these cash letters against an apparently sufficient balance amounted to a final payment, and if this payment were made against uncollected funds our position was the same as that of any other bank which paid a check against uncollected funds. The point was never made in the case but I refer to the case as an illustration.

I felt fairly confident that if the point were made I could successfully contend that the charging of the cash letters under the circular was merely a step in bookkeeping necessary to protect the interest of the depositing banks, and hence if it later appeared that the charge was not made against an actually available balance, the oversight could be corrected upon the ground that we had not in fact received payment in actually collected funds.

It seems to me that under the proposed revision of Regulation J the point mentioned above would be much more dangerous. It is expressly provided that a draft or authorization sent in settlement for a cash letter is subject to acceptance by the Federal reserve bank in its discretion. Such a draft or authorization is therefore placed on the same ground as a check presented by a third person. It would therefore seem to follow that the act of the Federal reserve bank in charging such an authorization or draft to the account of a member bank was a final payment, and if it should later appear that such a charge was improvidently made, the Federal reserve bank could not revoke it.

To meet this situation I suggest that the last sentence of Paragraph 4 be amended by striking out the words in brackets and inserting those in capitals:

"If (where) such a charge is made inadvertently after

receipt of such notice OR IF THE ACTUALLY COLLECTED AND AVAILABLE BALANCE IS NOT SUFFICIENT TO SUPPORT SUCH CHARGE, the book entry may be reversed (at any time before the close of business on the same day), and when this is done the situation shall be deemed to be the same as if such charge had never been made."

You will notice that I struck out the requirement that the reversal be made on the same day as the charge. I did this because it sometimes occurs that checks deposited by a member bank are returned several days after its failure, although these checks may have been credited to its reserve account before its failure, and it seemed to me that there was no reason for limiting the correction to the day of failure.

The amendment which I proposed above may possibly be susceptible to the interpretation that if it is discovered that the balance is not sufficient to support the charge as a whole the entire charge should be reversed. It would seem more equitable to me to charge back only an amount equal to the deficiency. If this view is taken, it might be advisable instead of the amendment suggested above to add another sentence as follows:

"If at the time that such charge is made the actually collected and available balance is not sufficient to support such charge, the difference between the amount of such charge and the actually collected balance shall be charged back proportionately to the forwarding banks."

I look forward with great pleasure to seeing you and the Counsel for the other Federal reserve banks on June 9th. Even though it is my unfortunate fate to be the disturbing element, the conferences are always a pleasure.

Very truly yours,

(Signed)

M. G. Wallace,
Counsel.

MGW L

X-6617

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

Washington, D. C.
For release at 3 p.m. June 6, 1930.

The Federal Reserve Board announces that the Federal Reserve Bank of Cleveland has established a rediscount rate of 3 ½% on all classes of paper of all maturities, effective June 7, 1930.

X-6618

For release - 12 o'clock noon, Central Time,
June 12, 1930.

Address by R. A. Young

Governor, Federal Reserve Board

Before the Michigan Bankers

Association, Grand Rapids,

Michigan.

June 12, 1930.

MEMBER BANK CREDIT AND RESERVE BANK CREDIT

I propose today to talk on a somewhat technical subject, but one to which I have had of necessity to give a great deal of thought and which I believe will interest you and help you understand the workings of our banking system as seen from a national point of view. The subject to which I refer is the relationship and differences between Federal reserve bank credit and member bank credit.

From the point of view of objective, the greatest difference between the operations of commercial banks and of the Federal reserve banks is that the former are operated primarily for profit, and, therefore, strive to have all their funds productively employed at all times, while the Federal reserve banks are operated primarily for the purpose of serving the banks and the public, and, therefore, use only such part of their lending power as is needed to meet the legitimate demand of the banks for reserves and of the public for currency.

Out of this difference between commercial banks and the reserve banks arises a difference in the effects that financial developments have on the operations and condition of the two kinds of banks. The balance sheet of a Federal reserve bank is quite similar in many of its outlines to the balance sheet of a commercial bank. Both have capital and surplus, reserves, loans, investments, deposit and note liabilities. But the effect on the balance sheet of changes in fin-

ancial conditions are often the opposite in a reserve bank from those in a commercial bank. A commercial banker, for example, is accustomed during a period of heavy cash receipts to look around for profitable outlets for his funds, and normally expects at such periods to increase his earning assets. If there is no local demand for funds, he buys investments, or puts his money at work in the open market. A reserve bank, on the other hand, finds that heavy receipts mean a decrease in its loans and investments, because the receipts indicate a diminished demand for reserve bank credit, and it is both difficult and not permissible for the reserve bank to attempt to increase its operations just because it has additional funds at its disposal. In the reverse case, a commercial banker expects to call loans or dispose of investments when withdrawals from his bank are large, in fact he is forced to this course if he wishes to meet his outpayments without borrowing. The reserve bank, on the contrary, increases its loans most rapidly when heavy withdrawals of gold or currency cause an increase in the demand for reserve bank credit. A commercial banker, furthermore, can meet an increased demand for funds by his customers through the sale of securities or other open-market investments, but a reserve bank cannot increase its funds through this means, because a sale of securities by a reserve bank results in an equivalent increase in the demand for discounts. In short, while our balance sheets are similar to yours, their significance

and consequently our method of dealing with them is radically different.

As I have already indicated, the fundamental reason for this difference is that a Federal reserve bank, not being a profit-making institution, does not seek outlets for its funds, but stands ready to supply these funds, whenever there is a legitimate demand from its member banks. Such a demand arises from three principal sources: an outflow of gold, an increase in currency needed for circulation, and a growth in member bank reserve requirements. Reserve bank loans and investments increase when there is an outflow of gold, because the reserve banks hold practically all of the available gold in the country, so that member banks, when they have to meet an export demand, must come to the reserve banks to obtain the gold. Since member banks rarely have excess reserves with which to pay for this gold, they must borrow from the reserve banks an amount equivalent to the gold exported. On the other hand, when gold comes in from abroad, member banks generally use this gold to retire an equivalent amount of their indebtedness at the reserve banks.

An increase in the public demand for currency, such as usually occurs between midsummer and Christmas, has much the same effect on the demand for reserve bank credit as an outflow of gold. Our commercial banks do not as a rule hold currency in excess of their immediate till money needs, and every increase in the public demand for cash, such as accompanies enlarged payrolls or increased needs for cash at harvesting time or heavy

retail trade at holiday seasons, is passed on by the member banks to the reserve banks. The reserve banks furnish this cash and charge it to the member banks' reserve accounts, which thereby fall below legal requirements and cause member banks to borrow an equivalent amount from the reserve banks. Here again a decrease in currency requirements, such as occurs after Christmas, results in member banks having excess cash which they generally use to diminish their indebtedness to the reserve banks.

The third channel through which the reserve banks feel an increase in the demand for their credit is a growth in member bank reserve requirements. This source of demand for reserve bank credit differs from the two already described in several important particulars. First, this demand arises from the voluntary operations of the member banks, rather than from outside sources. Member banks have little control over the demand for gold or for currency, but they can exert an influence over their own reserve requirements, because these requirements bear a definite ratio to their deposits, and deposits in turn are to a large extent the result of loans or investments. Therefore, member banks taken as a whole, by curtailing or expanding their own operations, can diminish or enlarge their deposits, and consequently their legal reserve requirements.

In the second place, a demand by the public for currency or for gold results in a dollar for dollar demand for reserve bank credit, while a demand for additional loans creates

additional deposits and an increase in reserve requirements equal to only about one-fifteenth of these deposits. This is for the reason that the law requires member banks to carry a 3 per cent reserve against their time deposits and a 7, 10, or 13 per cent reserve, depending on the location of the bank, on their net demand deposits. On the average member banks carry about 7 per cent in reserves against their combined demand and time deposits. This means that an increase of $100,000,000 in member bank deposits (or loans and investments) gives rise to only about $7,000,000 of additional reserve requirements by these banks. This is a ratio of nearly 15 to 1.

It is in this ratio that lies the greatest difference between reserve bank credit and member bank credit. The ratio is the measure of the greater power of the reserve dollar as compared with the ordinary dollar. When the banks of the country increase their loans and their investments - they create deposits; these deposits increase reserve requirements, but only at the rate of one dollar of reserves to 15 dollars of deposits. A growth of $1,500,000,000 in member bank credit outstanding, therefore, creates only about $100,000,000 of additional demand for member bank reserves and consequently for reserve bank credit and, conversely, member banks as a whole would have to liquidate $1,500,000,000 of their credit outstanding in order to pay off a debt of $100,000,000 at the reserve bank.

Of the three principal factors which affect the demand for

reserve bank credit, two, namely gold movements and currency demands, respond to reserve bank policy only slowly and indirectly. These two factors also are the ones which are reflected dollar for dollar in the loans and investments of the reserve banks. Changes in the direction of gold movements or in the demand of the public for currency, therefore, are bound to be reflected immediately in the operating position of the reserve banks; the reserve banks must furnish the credit necessary to meet those demands when they arise, regardless of whether reserve bank policy is directed toward easier or firmer conditions in the money market. The third principal factor in the demand for reserve bank credit, member bank reserve balances, on the other hand, can be influenced by reserve bank credit policy much more promptly and directly, because these balances arise from operations voluntarily undertaken by member banks, and firm money conditions exert a restraining influence on credit extension by member banks. Member bank reserve balances are also that channel of demand for reserve bank credit which operates on the 15 to 1 ratio, so that a dollar released by the reserve banks forms the basis for 15 dollars of deposits placed at the disposal of the public, while a dollar of reserve bank credit will produce only one dollar of gold or currency for the public's use. It follows, therefore, that a rapid and even an unhealthy expansion in member bank credit may be reflected only slowly in a demand for funds at the

reserve banks, and may even be entirely offset or obscured by relatively unimportant changes in the demand for currency or gold. This must be taken into consideration in formulating reserve bank credit policy; a change of $100,000,000 in the demand for reserve bank credit being much more important if it reflects a change in the demand of member banks for reserve balances than if it reflects changes in the demand for currency or gold.

It is largely because of this relationship of 15 to 1 that the reserve banks are obliged to resort to open market operations. Growth of reserve requirements arising from growth of deposits is too slow to afford an adequate means of credit control, particularly in view of maladjustments in our reserve law. When the reserve banks find that credit growth is too rapid they can supplement the effects of growing reserve requirements by sales of securities in the market, which also take funds out of member bank reserves and make it necessary for them to increase their borrowings. When, on the other hand, member banks are too heavily in debt, the reserve banks may find it advisable to assist them in their efforts to pay up by purchasing securities in the open market, because repayment of the reserve banks through liquidation requires credit contraction on a scale practically inconceivable to our banking system.

We, of the reserve system, deal in high-power dollars. It behooves us, therefore, to exercise great care in letting these dollars out of their resting place in our vaults to

multiply manifold in the community; and to exercise just as much care in calling them back after they have had the time to become the basis of large banking operations.

To learn the nature and behavior of the reserve dollar is our principal endeavor. If we can learn thoroughly to understand it we shall have made great strides toward knowing how to control it. And if you will keep in mind its peculiar characteristics and the difficulties they create for the Federal reserve authorities, you will better understand our efforts to devise a technique of handling this high-power dollar in such a manner as to assure the country of the greatest possible stability in its credit structure.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6619

June 9, 1930.

SUBJECT: Code word to cover telegraphic transactions in new issue of Treasury Certificates of Indebtedness, Series TJ 1931.

Dear Sir:

In connection with telegraphic transactions in Government securities between Federal reserve banks, the code word "NOWHID" has been designated to cover the new issue of Treasury Certificates of Indebtedness, Series TJ 1931, dated June 16, 1930, due June 15, 1931.

This word should be inserted in the Federal Reserve Telegraph Code book, following the supplemental code word "NOWHICK" on page 172.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

X-6621

STATEMENT OF BUREAU OF ENGRAVING AND PRINTING

Federal Reserve Notes, Series 1928.

Month of May, 1930.

	$5	$10	$20	Total Sheets	Amount
Boston	142,000	242,000	-	384,000	$34,368.00
New York	326,000	250,000	198,000	774,000	69,273.00
Philadelphia	100,000	50,000	36,000	186,000	16,647.00
Cleveland	114,000	60,000	68,000	242,000	21,659.00
Richmond	64,000	-	28,000	92,000	8,234.00
Atlanta	49,000	40,000	23,000	112,000	10,024.00
Chicago	402,000	306,000	166,000	874,000	78,223.00
St. Louis	-	-	15,000	15,000	1,342.50
Minneapolis	-	24,000	-	24,000	2,148.00
Kansas City	100,000	-	-	100,000	8,950.00
Dallas	70,000	40,000	15,000	125,000	11,187.50
San Francisco	100,000	88,000	48,000	236,000	21,122.00
	1,467,000	1,100,000	597,000	3,164,000	283,178.00

3,164,000 sheets @ $89.50 per M $283,178.00

Credit appropriations, 1930, as follows:

Comp. of Emp.,	B.E.& P.	$149,340.80
Plate Printing,	B.E.& P.	64,482.32
Mtls. & Misc. Exp.,	B.E.& P.	69,354.88

Bureau of Engraving and Printing

C. R. Long, Assistant Director.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6622

June 10, 1930.

SUBJECT: Monthly Currency Reports on Form 160.

Dear Sir:

Several of the Federal reserve banks have indicated a desire to discontinue the separation of old and new series currency in their monthly reports on Federal Reserve Board Form 160.

This matter has been considered by the Board, after consultation with the Treasury Department, which also makes use of the data contained in the reports, and you are advised that beginning with transactions in the month of July a consolidated report on Form 160 for both series will be acceptable to the Board and the Treasury Department.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

To the Governors of all Federal reserve banks.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6623

June 10, 1930.

SUBJECT: Amendment to Regulation H, re Voluntary Withdrawal of State Member Banks.

Dear Sir:

You are advised that, on June 9, 1930, the Federal Reserve Board amended Regulation H effective immediately, by adding at the end thereof a new section, a copy of which is enclosed herewith.

In this connection, you are advised that, if a State bank requests the Board to waive six months' notice of its intention to withdraw from membership and it appears that it desires to withdraw from membership merely on account of some temporary condition or some friction with the Federal reserve bank, the Federal Reserve Board will not be disposed to waive the six months' notice; but, in the exercise of its discretion, will be disposed to require the bank to wait six months before withdrawing from membership, in order to give such bank an opportunity to reconsider the matter and possibly decide not to withdraw.

The regulation, as amended, will be printed as a separate pamphlet as soon as possible and a supply will be furnished to you. Please advise the Board how many you will require.

By Order of the Federal Reserve Board.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

Enclosure.

TO THE CHAIRMEN AND GOVERNORS OF ALL FEDERAL RESERVE BANKS.

"SECTION VIII. VOLUNTARY WITHDRAWAL FROM FEDERAL RESERVE SYSTEM.

"1. General.- Any State bank or trust company desiring to withdraw from membership in a Federal reserve bank may do so after six months' written notice has been filed with the Federal Reserve Board; and the Federal Reserve Board, in its discretion and subject to such conditions as it may prescribe, may waive such six months' notice in individual cases and may permit such bank or trust company to withdraw from membership in a Federal reserve bank prior to the expiration of six months from the date of the written notice of its intention to withdraw.

The law provides, however, that no Federal reserve bank shall, except upon express authority of the Federal Reserve Board, cancel within the same calendar year more than 25 per centum of its capital stock for the purpose of effecting voluntary withdrawals during that year. All applications for voluntary withdrawals are required by law to be dealt with in the order in which they are filed with the Board.

"2. Resolution of Board of Directors.- Every notice of intention of a State bank or trust company to withdraw from membership in the Federal Reserve System and every application for the waiver of such notice should be accompanied by a certified copy of a resolution duly adopted by the board of directors of such bank authorizing the withdrawal of such bank from membership in the Federal Reserve System and authorizing a certain officer or certain officers of such bank to file such notice or application, to surrender for cancellation the Federal reserve bank stock held by such bank, to receive and receipt for any monies or other property due to such bank from the Federal reserve bank and to do such other things as may be necessary to effect the withdrawal of such bank from membership in the Federal Reserve System.

"3. Notice of Intention to Withdraw.- Any State bank or trust company desiring to withdraw from membership in a Federal reserve bank after six months' written notice should signify its intention to do so in a letter addressed to the Federal Reserve Board and mailed to the Federal reserve agent at the Federal reserve bank of which such State bank or trust company is a member. Such letter should state clearly the reason for the bank's desire to withdraw from membership, and should enclose a certified copy of the resolution of the board of directors of such bank required by sub-section 2 hereof. The Federal reserve agent shall immediately forward such notice to the Federal Reserve Board; and the bank giving notice will be permitted to withdraw from membership by surrendering its stock in the Federal reserve bank for cancellation six months after the date on which such notice was received by the Federal reserve agent, unless other such notices previously received during the same year would result in the cancellation of more than 25 per centum of the capital stock of such Federal reserve bank during that calendar year.

"4. Application for Waiver of Notice.- Any State bank or trust company desiring to withdraw from membership in a Federal reserve bank

without awaiting the expiration of six months from the date of its written notice of intention to do so shall address a letter to the Federal Reserve Board applying for permission to withdraw from membership prior to the expiration of six months and requesting the Federal Reserve Board to waive the six months' notice usually required. Such letter shall be accompanied by the certified copy of a resolution of the board of directors of such bank required by sub-section 2 hereof, and shall be forwarded to the Federal reserve agent at the Federal reserve bank of which the applying bank is a member. The Federal reserve agent shall forward such application to the Federal Reserve Board with a definite recommendation that the application be approved or disapproved and with a full statement of his reasons for such recommendation. Unless there are exceptional circumstances justifying it, the Federal Reserve Board will not be disposed to waive such notice; and no such application will be approved by the Federal Reserve Board if the banks owning more than 10 per cent of the capital stock of such Federal reserve bank have previously filed notice of their intention to withdraw from membership during the same calendar year.

"5. Time and Method of Effecting Actual Withdrawal.- A bank's withdrawal from membership in the Federal Reserve System is effective on the date on which the Federal reserve bank stock held by it is duly cancelled. Until such stock has been cancelled, such bank remains a member of the Federal Reserve System, is entitled to all the privileges of membership and is required to comply with all provisions of law and all regulations of the Federal Reserve Board pertaining to member banks and with all conditions of membership applicable to it. Upon the cancellation of such stock all rights and privileges of such State bank or trust company as a member bank cease and determine.

Upon the expiration of six months after notice of intention to withdraw from membership was received by the Federal reserve agent, or upon the waiving of such six months' notice by the Federal Reserve Board, therefore, such bank or trust company should surrender its stock and its certificate of membership to the Federal reserve bank and request that same be cancelled and that all amounts due to it from the Federal reserve bank be refunded. Unless this is done within two months after the expiration of such six months' notice or after the waiver of such notice by the Federal Reserve Board, or unless the bank requests and the Board grants, an extension of time before the expiration of such two months, such bank will be presumed to have abandoned its intention of withdrawing from membership and will not be permitted to withdraw without again giving six months' written notice or obtaining the waiver of such notice.

Upon the cancellation of such stock and, after due provision has been made for any indebtedness due or to become due to the Federal reserve bank, such bank shall be entitled to a refund of its cash paid subscription with interest at the rate of one-half of one per centum per month from the date of last dividend, if earned, the amount refunded in no event to exceed the book value of the stock at that time, and shall likewise be entitled to the repayment of deposits and of any other balance due from the Federal reserve bank.

"6. Withdrawal of Notice.- Any bank or trust company which has given notice of its intention to withdraw from membership in a Federal reserve bank, may withdraw such notice at any time before its stock has been cancelled and upon doing so may remain a member of the Federal Reserve System."

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6624

June 10, 1930.

SUBJECT: Amendments to Regulation "I".

Dear Sir:

On April 23, 1930, Section 6 of the Federal Reserve Act was amended so as to authorize the Comptroller of the Currency to appoint a receiver for a national bank which had discontinued its banking operations for a period of 60 days without going into liquidation and for which a receiver had not already been appointed. This Act also amended Section 9 of the Federal Reserve Act so as to authorize the Board to forfeit the membership of a State member bank which had ceased to exercise banking functions, but which had not been placed in liquidation and for which a receiver had not been appointed.

In order to make it conform with the provisions of this Act, Section II of Regulation "I" has been amended, effectivo immediately, by adding after subdivision (c) a new subdivision to read as follows:

"(d) Other closed member banks. Whenever a national bank which has not gone into liquidation as provided in Section 5220 of the Revised Statutes of the United States and for which a receiver has not been appointed for other lawful cause shall discontinue its banking operations for a period of sixty days, the Federal Reserve Agent of the Federal reserve district in which such national bank is located shall furnish the Federal Reserve Board with full information with reference to the facts involved in the case and with a definite recommendation as to whether the Comptroller of the Currency should appoint a receiver for the national bank. Upon receipt of this advice the Federal Reserve Board will, if the circumstances warrant it, request the Comptroller of the Currency to appoint a receiver for the national bank. If such receiver is appointed, the Federal reserve bank stock held by the national bank should be surrendered and canceled in the manner described in subdivision (b) of this section.

"Whenever a State member bank shall cease to exercise banking functions without being placed in liquidation in accordance with the laws of the State in which it is located and without a receiver having been appointed for it, the Federal Reserve Agent of the Federal reserve district in which such State member bank is located shall furnish the Federal Reserve Board with full information with reference to the facts involved in the case and with a definite recommendation as to whether the Federal Reserve Board should require the State member bank to surrender its

stock in the Federal reserve bank and to forfeit all rights and privileges of membership in the Federal Reserve System. Upon receipt of this advice the Federal Reserve Board will, if termination of the membership of the State member bank appears desirable, give the member bank notice of the date upon which a hearing will be held to determine whether its membership should be forfeited. If, after such hearing, the membership of a State member bank is forfeited the Board will direct the Federal Reserve Agent of the Federal reserve district in which the member bank is located to cancel the Federal reserve bank stock it holds and make appropriate refund thereon."

In the early part of this year the Board's attention was called to the fact that a member bank which, in accordance with the Board's Regulations, held Federal reserve bank stock issued upon the basis of surplus account which had since been reduced without the surrender of a corresponding amount of Federal reserve bank stock, had increased the amount of its capital. It appeared that the increase in the capital of the bank was approximately equal to the amount of the reduction of its surplus which had previously taken place. Under these circumstances, the Board was requested to rule whether the member bank was entitled to subscribe for additional Federal reserve bank stock on account of the increase in its capital. The Board ruled that the member bank, while holding Federal reserve bank stock issued upon the basis of its surplus account which had since been reduced, was not entitled to subscribe for additional Federal reserve bank stock on account of an increase in its capital unless the amount of Federal reserve bank stock which it held after such increase in its capital was less than 6 per cent of its combined capital and surplus. The Board's Regulations in this respect have not been entirely clear and, accordingly, paragraphs (c) and (d) of Section 1 of Regulation "I" have been amended, effective immediately, to read as follows:

"(c) Increase of capital or surplus by member banks.- Whenever any member bank shall increase the aggregate amount of its paid-up capital stock and surplus, it shall file with the Federal reserve bank of which it is a member an application on F. R. B. Form 56, made a part of this regulation, for such additional amount of the capital stock of the Federal reserve bank of its district as may be necessary to make its total subscription to stock of the Federal reserve bank equal to 6 per cent of its combined capital and surplus. After such application has been approved by the Federal Reserve Agent and by the Federal Reserve Board, the applying member bank shall pay to the Federal reserve bank of its district one-half of the amount of its additional subscription, and when this amount has been paid the appropriate certificate of stock shall be issued by the Federal reserve bank. The remaining half of such additional subscription shall be subject to call when deemed necessary by the Federal Reserve Board.

"(d) Consolidation of member banks.- Whenever two or more member banks consolidate and such consolidation results in the consolidated bank acquiring by operation of law the Federal reserve bank stock owned by the other consolidating bank or banks, and which also results in the consolidated bank having an aggregate capital and surplus in excess of the aggregate capital and surplus of the consolidating member banks, such consolidated bank shall file an application for such additional amount of the capital stock of the Federal reserve bank of its district as may be necessary to make its total subscription to the stock of the Federal reserve bank equal to 6 per cent of its combined capital and surplus, as provided in Section I (c)."

Regulation "I" with the above amendments will be printed in pamphlet form and copies will be sent you as soon as they are received from the printer.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

To all Governors and Chairmen.

X-6625

For release - 12 o'clock noon, central time,
June 18, 1930.

Address by R. A. Young

Governor, Federal Reserve Board

Before the

Minnesota Bankers Association

St. Paul, Minnesota

June 18, 1930.

BANKING CONCENTRATION

I am very happy to be here once more and to have the opportunity of discussing with you some of the developments in banking that have occurred in recent years, largely since the time I left for Washington in the autumn of 1927. The bankers of this State, a fraternity of which I shall always consider myself a member, have an unusual interest in these developments because they have been leaders in the movement to keep our banking system adjusted to the rapid changes occurring in economic and social conditions of the country. My work in Washington has given me the occasion to survey these matters from a national point of view, and I have watched the developments with keen interest and often with great admiration for the courage, skill, and rapidity with which a transformation of our banking structure has been managed.

In the financial history of this country, public policy has seldom confronted a more important parting of the ways. The decision made at this time, the route we choose to follow from hereon, will have the utmost importance for the whole commercial fabric. The smooth flow of credit and of banking service is the delicate nervous system of business, and nothing can be more important than that this machinery be kept perfectly attuned to the commercial and industrial organization which it serves.

I am confident, therefore, that much profit will result if we study the tendencies of our banking system dispassionately with an open mind and with no fixed ideas or prejudices. The Federal reserve system is trying to do just that, and in pursuit of this policy has set up a committee which is studying the whole field of group, chain, and branch banking developments. We hope that the committee's report will throw light on many perplexing matters.

The Congress of the United States is also investigating these conditions;

the Banking and Currency Committee of the House of Representatives has been holding hearings for some months on the subject and has already gathered a large body of useful information to which some of your most respected bankers of the Ninth Federal Reserve District have made important contributions. The Senate Committee also has plans for hearings.

At the outset of a discussion concerning the shifting forms of banking organization, one is prone to ask what forces are bringing them about. Two causes stand out as the most important factors: on the one hand - the large volume of bank failures that has occurred in recent years, and, on the other hand, changes in economic and social conditions, which have made a readjustment of banking organization and practice inevitable.

This country of great distances, altered in the course of a few hundred years from virgin resources to a high state of civilization and complexity of industrial organization, has flourished under a system of unit banks. Unit banking has been the natural complement of the individual initiative and enterprise which has so rapidly brought the United States to the first rank of economic powers. I cannot say too much concerning my respect for the contributions of the unit banker to this development. All my sympathies are with him. As you know, I have been one of them myself. And notwithstanding all of the rapid alteration in the environment about us in general and of the evolution of business forms in particular, the unit banker still has his place and service to perform; he will have it for a long time to come; and I, for one, can see no reason why he should not always be an important part of our banking system.

However, some unpleasant facts must be faced with respect to the appalling number of bank failures recorded in various parts of the country during recent years. This record has been so dolefully recited, and so often of late, that I hesitate to discuss it again, but it cannot be passed over altogether, since

it constitutes the background of the picture.

During the nine year period prior to June 30, 1929 about 5,000 banks closed their doors in the United States, tying up deposits in the neighborhood of one and a half billion dollars. This is at the rate of more than 500 banks per year and represents in the aggregate about one-sixth of the banks that were in existence at the beginning of the period. Altogether these failures have been rather widely dispersed, yet concentration in rural sections is clearly distinguishable. You, here in the Northwest, have suffered especailly because of agricultural conditions that developed with the post-war period, and no necessity exists to rehearse before this audience the disaster involved in the closing of bank after bank in any area, the immense amount of personal hardship suffered by the individual depositor because of the loss of savings accumulated over years of toil and thrift, the lack of confidence and business stagnation which follows in the wake of wholesale bank closings.

In this history of suspensions, it is a remarkable thing that no important failures among banks in the larger cities have occurred, while in seven agricultural states 40 per cent of all the banks in existence in 1920 have failed. While the depositor in the large city banks has been amply protected, the depositor in the small country bank has suffered severely. This is not a situation which can be viewed with equanimity, but cries aloud for our best constructive thought and effort in order that it may never happen again.

In approaching the problem, I repeat, we should try to preserve an open mind. We cannot escape the fact, however, that in certain localities the unit system of banking has broken down. Whether we can repair the old or erect a new unit banking system that gives satisfactory assurance of not repeating the misfortunes of the past, that, gentlemen, is one of the serious questions to which we must try to find an answer. On the other hand, if as a result of

our investigation and thought we should conclude that practical considerations force us to some compromise with our sympathies, I hope we shall be able to face the facts with courage and the determination to make such concessions as promise fruitful results.

I turn now to other factors which I believe are forcing us just as certainly, whether we will or not, to a serious re-examination of our banking traditions. Rapidity of personal transportation, easy communication by the telephone, the spirit of the times with respect to large scale organization and the branch system in business in general have brought many differences in our habits of living and especially in the position of the small community. Progress in many lines of activity has had a serious effect on these communities and has endangered some of the institutions and characteristics, such as independence, in which we have rightly taken pride.

That a small community must be served under a unit banking system by a small bank is a self-evident fact, for such a community cannot profitably support a large one. We have today in this country about 25,000 incorporated banks, four-fifths of which are located in towns of 10,000 population or less, and the average capital of these 20,000 banks serving the smaller communities is about $44,000. I have already recited that banks in this class contributed largely to the record of failures, 71 per cent of the failed banks having been capitalized at less than $50,000; 88 per cent at less than $100,000.

In many small communities the banking business is drying up so that it is becoming increasingly difficult for the small bank to make a profit, and no bank can exist for long when it is in the red. The management of such a bank is constantly under the temptation to take greater and greater risks in order to show better earnings, with the result that disaster follows in most cases.

Nowadays, the automobile takes the bank depositor to a larger town than he

used to frequent, and he goes there because there are bigger movie shows, and because there are more shops with a wider variety of goods from which he may choose in shopping. Once a patron of the larger place, nothing is more natural than that he should find it convenient to do his banking business there also, so his account is moved from the small bank to the larger one and the small banker loses deposits.

That is one aspect of the matter, there are others. In the past the small community had its local grocers, its local public utility, its local factory, but today the unit grocer is being displaced by a chain store; the utility belongs to a great holding company; and the factory has been merged with a giant organization with a head office in a metropolis. The local banker in other days did business with the grocer, the electric plant and the factory, but today the cream of that banking business is elsewhere, handled by the head office of the large company and placed with the metropolitan banks with which its treasurer does business.

So we have an entirely different economic and social pattern from that under which our unit system developed, making it necessary for the banking business to be revamped to fit the new order of things. No one is more concious of this than the bankers themselves, and the record shows that they are embracing the opportunity to experiment with new forms in an attempt to find that system of banking best suited to the world we live in today.

Checking up statistically on what has happened so far we are surprised to find a development of such magnitude. National banks, under the liberalized branch banking provisions of the McFadden Act, and state banks, under their state codes, are, according to the latest figures, operating in the aggregate more than 3,500 branch offices, an increase of some 50 per cent in five years. Among the 800 odd banks with branches are some of our strongest institutions, since the 800 together have more than $25,000,000,000 of loans and investments

out of a total of $58,000,000,000 possessed by the 25,000 banks in the country.

We have known in this country for many years something of chain banking, that is two or more banks controlled by one or several identical persons, but the spectacular growth of group banking has been confined to a few brief months. You here in the Northwest, having some of the best examples of it, are quite familiar with the arrangement of associating several banks in a group through the medium of concentrating the ownership of the stock in a holding company.

The latest figures show nearly three hundred different chains or groups in the country, embracing more than 2,100 banks with total loans and investments of $11,000,000,000. Many banks in chains and groups also have branches, so there is more than a little overlapping; and furthermore, among the banks with branches are counted all the banks, including the greatest metropolitan banks, which may have only one or a few tellers' windows in their home city. The proportion of banking resources sometimes quoted as involved in the new forms of banking organizations, therefore, exaggerates somewhat the extent of the development. Nevertheless, it has reached important aggregates, however measured, and we realize that we face a condition and not a theory.

You, bankers of this district, know precisely the whys and wherefores of this movement, and the country over, the reasons that have brought it about are much the same. An association of banking offices spread over a wide area furnishes a diversity of assets and risk that makes for stability. Head offices in large cities can contribute experienced trained banking management to the smaller offices and can give them investment and fiduciary services of unusual quality. The arrangement, whether it be a group or branch system, can cut down the overhead of the smaller office and put it more nearly on a profitable basis.

When we take stock of the situation we realize that after all, in the matter of the concentration of banking resources, this country has been in a unique position among other great commercial and industrial nations of the world. In great Britain, in France, in Germany, in Canada, and in other countries many banking offices widely dispersed and controlled from one central head office have long been the dominant system of commercial banking. At the heart of this foreign experience has been the matter of economy. In societies such as our own and those of other great countries where the generating force of business enterprise is profits, financial organizations inevitably work themselves into those forms that will keep down the costs of doing business, leaving a larger margin of profits; and under competitive conditions this results also in better and more economical service to customers and borrowers. Economy is working towards group and branch banking in this country as well, as it has worked in the countries of the old world.

As I look upon the practical situation as it confronts us, I am impressed by the indifference of economic developments to our preferences and traditional habits of doing business. Here, we have this group movement, born almost without our realization, to take care of a very difficult situation. I do not think that many persons would deny that the situation was such that something had to be done about it and something has been done, in which I see more of good than of evil.

The group system, however, also has its limitations; it is not a panacea for all of our ills, and of course we shall not find any one thing that will be. To one situation we shall have to apply one type of banking solution, to another situation, a different solution. Even the foremost exponents of the group banking plan agree that it cannot solve the problem of the smallest communities that are entitled to some sort of banking service. We know why

under changing conditions it has become increasingly difficult for a separate bank to make a living in the smaller communities. The only way to provide banking service for such communities seems to be by establishing a branch with small overhead expense operating as part of a large bank covering a wider area than we have become accustomed to under unit banking.

I see other limitations in the group banking system. For one thing, personnel problems are bound to develop as the best men managing member banks of groups tire of taking orders. They will insist on being promoted to the head office and will either get there or find enterprising jobs elsewhere, with the result that individual members of groups will have difficulty in finding and keeping experienced and competent managers. I do not believe that a branch system would be open to quite the same limitation in this respect, since promotion lines in such systems are more obviously defined, and local branches require less responsible managers than do individual members of a group.

It is clear, however, that our experience with group banking has so far been too limited to permit us to be dogmatic. This is especially true since up to the present time the movement has been steered by competent hands, so competent indeed that they could probably make a success of banking under any type of organization. I am not sure what results would be obtained with the instrument of group banking controlled by less capable bankers, who may follow the lead of the pioneers in this field. I am inclined to believe, on the whole, that the group system will be a transitional stage during the interim, while we are working out some type of compromise between unit banking and branch banking. However, I think it will prove a very useful and instructive transitional stage and will help to overcome immediate difficulties.

My colleague on the Board, the Comptroller of the Currency, has devoted

much time and study to the matter of the effectiveness of our old banking system in its new surroundings and has on several occasions ably outlined his conclusions. As the result of these studies and his ripe experience, he has recommended to Congress that a national bank be given the right to establish branches within the natural trade area of its head office.

Had we been willing before the war to have countenanced branch banking in a limited trade area, I believe many of the unfortunate failures of the last decade might have been avoided. I might illustrate what I mean by a specific example; Aberdeen, South Dakota, which is a trade area, I suspect, for a territory 50 to 75 miles north, south, and west, and possibly 25 miles east. In the days before the war, Aberdeen banks did business with, say, 200 small banks in the town's trade area, lending them money for seasonal requirements in the fall of the year, which was always repaid. However, in 1919, because of railroad conditions and many other factors, the little bankers could not repay the Aberdeen bankers, but had to borrow during the following years more and more from them as well as from their Minneapolis and St. Paul correspondents who were leaning in turn upon the Federal reserve bank. I believe - and our hindsight is always better than our foresight - that if branch banking had been permitted in that little trade area of Aberdeen 20 years ago, many of the difficulties of recent years would have been avoided, but today that small trade area has passed and we face a new set of conditions.

Mr. Pole's recommendation proposes a trade area of much larger extent. While none of us as yet have been able to define our trade area finally, I personally concur in Mr. Pole's general recommendation. I think that the logic of events forces us to conclude that branch banking within limited areas is a reasonable concession to make to the present day conditions which must be met. Beyond this limited concession I preserve an open mind and the hope that time

and experience will help us develop the right kind of a banking system for our changing economic world.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6626

June 11, 1930.

SUBJECT: Changes in Inter-District Time Schedule.

Dear Sir:

Upon agreement between the Federal reserve banks involved, the Federal Reserve Board has approved the following changes in the inter-district time schedule:

From Atlanta	to Dallas	From 3 days to 2 days
From Birmingham	to Los Angeles	From 5 days to 4 days
From Birmingham	to San Francisco	From 5 days to 4 days
From Birmingham	to Louisville	From 2 days to 1 day
From Birmingham	to Portland	From 5 days to 4 days
From Birmingham	to Seattle	From 5 days to 4 days
From Birmingham	to Spokane	From 5 days to 4 days
From Jacksonville	to Los Angeles	From 6 days to 5 days
From Jacksonville	to San Francisco	From 6 days to 5 days
From Jacksonville	to Chicago	From 3 days to 2 days
From Jacksonville	to St. Louis	From 3 days to 2 days
From Jacksonville	to Portland	From 6 days to 5 days
From Jacksonville	to Pittsburgh	From 3 days to 2 days
From Jacksonville	to Houston	From 3 days to 2 days
From Jacksonville	to Seattle	From 6 days to 5 days
From Jacksonville	to Spokane	From 6 days to 5 days
From Nashville	to Los Angeles	From 5 days to 4 days
From Nashville	to San Francisco	From 5 days to 4 days
From Nashville	to Portland	From 5 days to 4 days
From Nashville	to Dallas	From 3 days to 2 days
From Nashville	to Houston	From 3 days to 2 days
From Nashville	to Seattle	From 5 days to 4 days
From Nashville	to Spokane	From 5 days to 4 days
From New Orleans	to Cleveland	From 3 days to 2 days

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

RECORD OF PROCEEDINGS OF CONFERENCE OF COUNSEL OF ALL FEDERAL RESERVE BANKS HELD IN WASHINGTON, D. C., ON JUNE 9 AND 10, 1930.

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The Conference convened on June 9, at 10 a.m. in the board room of the Federal Reserve Board in the Treasury Building, Washington, D. C. Those present were :

Mr. K. K. Carrick	Federal Reserve Bank of Boston
Mr. W. S. Logan	Federal Reserve Bank of New York
Mr. C. H. Coe	Federal Reserve Bank of New York
Mr. J. S. Sinclair	Federal Reserve Bank of Philadelphia
Mr. James M. Toy	Federal Reserve Bank of Philadelphia
Mr. Sterling Newell	Federal Reserve Bank of Cleveland
Mr. P. L. Holden	Federal Reserve Bank of Cleveland
Mr. H. F. Strater	Federal Reserve Bank of Cleveland
Mr. M. G. Wallace	Federal Reserve Bank of Richmond
Mr. J. S. Walden	Federal Reserve Bank of Richmond
Mr. R. S. Parker	Federal Reserve Bank of Atlanta
Mr. Carl Meyer	Federal Reserve Bank of Chicago
Mr. J. G. McConkey	Federal Reserve Bank of St. Louis
Mr. A. Ueland	Federal Reserve Bank of Minneapolis
Mr. Sigurd Ueland	Federal Reserve Bank of Minneapolis
Mr. H. G. Leedy	Federal Reserve Bank of Kansas City
Mr. E. B. Stroud, Jr.	Federal Reserve Bank of Dallas
Mr. Paschal Dreibelbis	Federal Reserve Bank of Dallas
Mr. A. C. Agnew	Federal Reserve Bank of San Francisco
Mr. Walter Wyatt	Federal Reserve Board
Mr. B. M. Wingfield	Federal Reserve Board
Mr. George B. Vest	Federal Reserve Board.

At the suggestion of the Chairman, Mr. Wyatt, the Conference first considered in what order it would take up the various matters on its program and it was voted to proceed at once to a consideration of the effect of the decision in the case of Early v. Federal Reserve Bank of Richmond.

As a part of the preliminary discussion it was developed that the Federal Reserve Banks of Boston and of New York still reserve the right in their check collection circulars to charge checks to the account of the drawee banks but that no other Federal reserve banks reserve this right.

Counsel for each Federal reserve bank then proceeded to discuss the effect of the decision in the Early case in his particular Federal Reserve District. At the Federal Reserve Bank of Kansas City one suit has been threatened as a result of this decision upon the basis of the Federal Reserve Bank's collection circular as it existed prior to the change in Regulation J of February 1, 1929. Several other Federal reserve banks have had numerous inquiries arising out of the decision in the Early case; but it was said that in all of these cases up to this time Counsel for the Federal reserve banks have been successful in convincing opposing counsel that the doctrine of the Early case is not applicable where the Federal reserve bank did not reserve the right in its check collection circular to charge checks to the reserve account of the drawee bank.

Amendments to Regulation J.

The Conference adjourned for lunch about 1 p.m. and reconvened at 2:30 p.m., at which time it proceeded to a consideration of suggested amendments to Regulation J, using as a basis a draft of Section V of Regulation J as prepared by Mr. Wyatt in July, 1929. The consideration of amendments to Regulation J consumed the entire afternoon session which lasted until 6:50 p.m., and the evening session from 8:30 p.m. until 11 p.m. After consideration and discussion of each paragraph of Section V the conference voted tentatively to recommend the adoption of each such paragraph substantially in the form as finally approved and as hereinafter set forth. In voting upon paragraph No. 4 as hereinafter set forth, Mr. Stroud voted "no", and in voting upon paragraph No. 6, Mr. Leedy and Mr. Carrick voted "no". The Conference also voted tentatively

to recommend amendments to paragraphs 1 and 3 of Section III of Regulation J and amendments to paragraphs 2 and 3 of Section IV of Regulation J, as hereinafter set forth.

Conference re Treasury Department Circular No. 176.

On the morning of Tuesday, June 10, the Conference convened shortly after 10:30 a.m. and discussed Treasury Department Circular No. 176 containing regulations governing the deposit of public monies and the payment of Government warrants and checks. At 11 a.m. Mr. R. G. Hand, Commissioner of Accounts and Deposits, and Mr. A. W. Starrett and Mr. E. J. Cunningham of the Treasury Department came into the conference, which then proceeded to a consideration of a revised form of Treasury Department Circular No. 176 which the Department contemplates putting into effect. A number of suggestions were made with reference to the proposed revision and many of these were informally agreed to by the representatives of the Treasury Department and the Counsel for the Federal reserve banks. No substantial difference of opinion between the Treasury Department and the Federal Reserve Bank Counsel developed with reference to the provisions of the proposed revision of the circular except as to sections 35 and 37. As to these sections no agreement could be reached between the representatives of the Treasury Department and the Conference of Counsel, and after discussion on motion of Mr. Agnew it was voted that the Conference pass over these sections subject to the right of any Federal reserve bank to state its position with relation thereto in letters addressed to the Secretary of the Treasury.

The Conference adjourned for lunch at 1:50 p.m.

Conference with Representatives of the Comptroller's Office.

The Conference reconvened at 2:30 p.m. with Mr. F. G. Awalt, Deputy Comptroller of the Currency, Mr. J. E. Fouts, Assistant Supervising Receiver of the Division of Insolvent Banks, and Mr. George P. Barse, Counsel to the Division of Insolvent Banks, present. An informal discussion then ensued with reference to the effect of the decision in the case of Early v. Federal Reserve Bank of Richmond and with regard to the interpretation placed by the Office of the Comptroller of the Currency on the opinion in this case. This discussion proceeded entirely along informal lines and an understanding between the Comptroller's Office and the Counsel for the Federal reserve banks was reached on several points but no formal action was taken.

Amendments to Regulation J.

After the representatives of the Comptroller's Office had left the meeting the Conference again took up the proposed amendments to Regulation J which had been tentatively agreed upon the day before. Mr. Stroud moved "that Regulation J as tentatively approved yesterday be now formally recommended for adoption and that Mr. Wyatt and Mr. Baker be authorized to make any changes in punctuation or grammar as may be deemed advisable and not inconsistent with the action of this Conference."

After a few changes in the phraseology of the proposed amendments to Regulation J were agreed upon, Mr. Stroud's motion was carried, Mr. Wallace, Counsel to the Federal Reserve Bank of Richmond voting "no" and representatives of all other Federal reserve banks voting "aye". Messrs. Ueland, Leedy, Carrick, Wallace and Meyer made the following explanatory statements as to their votes:

Mr. Ueland:- I vote in favor of the proposed resolution in deference to the announced policy of the Federal Reserve Board upon the subject.

Mr. Leedy:- While voting in favor of the adoption of the proposed amendments I wish to be recorded as not approving subsection (6) of Section 5 of the proposed amendments for the reasons; first, that such subsection in my judgment is contrary to the scheme of the Federal reserve check collection system and second, because it seeks to afford protection to the Federal reserve banks which they should not ask.

Mr. Carrick:- I vote in favor of the proposed amendments except that I do not approve of subsection 6 of Section 5 because in my opinion it seeks to afford to the Federal reserve banks a protection which they should not ask.

Mr. Wallace:- I voted "no" to the resolution because of objection to the proposed expression in subsection 7 of Section 5 upon the ground that it deprives Federal reserve banks of the power to give to the depositing bank and holders of checks a reasonable and proper protection which such holders and depositing banks need and which the Federal reserve banks could reasonably and safely afford.

Mr. Meyer:- Although not approving of paragraph 7 of Section 5 I am voting for its adoption because I think there should be uniformity in the system and it appears that a large majority of the counsel are in favor of the adoption of this paragraph.

The proposed amendments to Regulation J as finally approved for recommendation are set forth below:

The Conference of Counsel recommends the following changes in Regulation J:

SECTION III.

That paragraph 1 of Section III be amended by changing the words "acceptable to the Federal Reserve Bank of the District in which such nonmember banks are located" to read "acceptable to the collecting Federal reserve bank."

That paragraph 3 of Section III be amended by changing the words "acceptable to the Federal Reserve Bank of the District in which such nonmember bank is located" to read "acceptable to the collecting Federal reserve bank."

SECTION IV.

That paragraph 2 of Section IV be amended by changing the period at the end thereof to a comma and by adding the following words:

> "provided, however, that the Federal reserve bank may in its discretion refuse at any time to permit the withdrawal or other use of credit given for any item for which the Federal reserve bank has not yet received payment in actually and finally collected funds."

That paragraph 3 of Section IV be amended by changing the period at the end thereof to a comma and by adding the following words:

> "provided, however, that the Federal reserve bank may in its discretion refuse at any time to permit the withdrawal or other use of credit given for any item for which the Federal reserve bank has not yet received payment in actually and finally collected funds."

SECTION V.

That Section V be amended to read as follows:

"SECTION V. TERMS OF COLLECTION.

"The Federal Reserve Board hereby authorizes the Federal reserve banks to handle such checks subject to the following terms and conditions; and each member and nonmember clearing bank which sends checks to any Federal reserve bank for deposit or collection shall by such action be deemed (a) to authorize the Federal reserve banks to handle such checks subject to the following terms and conditions, (b) to warrant its own authority to give the Federal reserve banks such authority, and (c) to agree to indemnify any Federal reserve bank for any loss resulting from the failure of such sending bank to have such authority.

"(1) A Federal reserve bank will act only as agent of the bank from which it receives such checks and will assume no liability except for its own negligence and its guaranty of prior indorsements.

"(2) A Federal reserve bank may present such checks for payment or send such checks for collection direct to the bank on which they are drawn or at which they are payable, or in its discretion may forward them to another agent with authority to present them for payment or send them for collection direct to the bank on which they are drawn or at which they are payable.

"(3) A Federal reserve bank may, in its discretion and at its option, either directly or through or from an agent, accept in payment of or in remittance for such checks, cash, bank drafts, transfers of funds or bank credits, or other forms of payment or remittance, acceptable to the collecting Federal reserve bank. The Federal reserve bank shall not be liable for the failure of the drawee bank or any agent to pay or remit for such checks, nor for any loss resulting from the acceptance from the drawee bank or any collecting agent, in lieu of cash, of any other form of payment or remittance authorized herein, nor for the nonpayment of, or failure to realize upon any bank draft or other medium of payment or remittance which may be accepted from the drawee bank or any collecting agent.

"(4) Checks received by a Federal reserve bank which are payable in its own district will ordinarily be forwarded or presented direct to the banks on which they are drawn, and such banks will be required to remit or pay therefor at par in such one or more of the forms of payment or remittance authorized under paragraph (3) hereof as may be acceptable to the Federal reserve bank.

"(5) Checks received by a Federal reserve bank payable in other districts will ordinarily be forwarded for collection to the Federal reserve bank of the district in which such checks are payable; provided, however, that where arrangements can be made satisfactory to the collecting bank or agent and to the Federal reserve bank of the district in which such checks are payable, any such checks may be forwarded for collection direct to the bank on which they are drawn or at which they are payable, or may be forwarded for collection to another agent with authority to present them for payment direct to the bank on which they are drawn or at which they are payable. All such checks shall be handled subject to the terms and conditions of this Regulation.

"(6) Bank drafts received by a Federal reserve bank in payment of or in remittance for checks handled under the terms of this regulation will likewise be handled for collection subject to all the terms and conditions of this regulation.

"(7) The amount of any check for which payment in actually and finally collected funds is not received shall be charged back to the forwarding bank, regardless of whether or not the check itself can be returned. In such event, neither the owner or holder of any such check nor the bank which sent such check to the Federal reserve bank for collection shall have any right of recourse upon, interest in, or right of payment from, any reserve balance, clearing account, or deposit account of the drawee bank or of any bank to which such checks have been sent for collection, in the possession of the Federal reserve bank. No draft, authorization to charge, or other order, upon funds of a paying, remitting or collecting bank in the possession of a Federal reserve bank, issued for the purpose of settling items handled under the terms of this Regulation will be paid, acted upon or honored after receipt by such Federal reserve bank of notice of suspension or closing of such paying, remitting or collecting bank."

The subject of the revision of the check collection circulars of the Federal reserve banks to make them conform to the changes in Regulation J which would be made if the Federal Reserve Board should adopt the recommendations of the Conference was then considered. Upon Mr. Agnew's motion it was

> "RESOLVED, That the Chairman of the Governor's Conference be requested to instruct the Standing Committee on Collections to prepare a tentative draft of a uniform check collection circular embodying therein the suggested amendments to Regulation J, the preparation of such tentative draft to be made in collaboration with a sub-committee of Counsel to the Federal reserve banks (such sub-committee to be appointed by Counsel to the Federal Reserve Board and of which sub-committee Counsel to the Federal Reserve Board shall be a member ex officio), with the understanding that such tentative draft, when prepared, shall be submitted to the Federal reserve banks for criticism and/or approval pending the adoption by the Federal Reserve Board of the suggested amendments to Regulation J."

A discussion then ensued with regard to the uniform policy pertaining to check collections which was recommended by the Conference of Counsel and adopted by the Conference of Governors at their meetings in April 1929. The discussion pertained particularly to the question whether it was necessary to adopt any further resolution expressing the sense of the Conference as to the interpretation of the uniform policy with reference to the point raised in the letter addressed to Governor Young by Governor Harding of the Federal Reserve Bank of Boston dated October 19, 1929. After some discussion it was the consensus of opinion that no action on this subject by this Conference is necessary.

After a vote of appreciation to the Chairman for calling the Conference and for conducting the proceedings, the Conference adjourned at 6 p.m.

George B. Vest
Secretary.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6629

June 18, 1930.

SUBJECT: ASSESSMENT FOR GENERAL EXPENSES OF THE FEDERAL RESERVE BOARD JULY 1 TO DECEMBER 31, 1930.

Dear Sir:

There is enclosed herewith copy of a resolution adopted by the Federal Reserve Board levying an assessment upon the several Federal reserve banks of an amount equal to ninety-two thousandths of one per cent (.00092) of the total paid-in capital stock and surplus of such banks at close of business June 30, 1930, to defray the estimated general expenses of the Board from July 1 to December 31, 1930.

Kindly deposit one-half of the amount of your assessment in the General Account, Treasurer, U. S., on your books July 1, 1930, and one-half September 1, 1930, in each instance issuing a C/D for credit of "Salaries and Expenses, Federal Reserve Board, Special Fund", assessment for general expenses, and sending duplicate C/D to the Federal Reserve Board. Also please furnish a statement of your capital and surplus used as a basis for the assessment.

Very truly yours,

W. M. IMLAY
Fiscal Agent.

(Enclosure)

SENT TO FEDERAL RESERVE AGENTS, ALL DISTRICTS.

X-6629-a

RESOLUTION LEVYING ASSESSMENT

WHEREAS, under Section 10 of the Act approved December 23, 1913, and known as the Federal Reserve Act, the Federal Reserve Board is empowered to levy semi-annually upon the Federal reserve banks in proportion to their capital stock and surplus an assessment sufficient to pay its estimated expenses, including the salaries of its members, assistants, attorneys, experts and employees for the half-year succeeding the levying of such assessment, together with any deficit carried forward from the preceding half-year; and

WHEREAS, it appears from estimates submitted and considered that it is necessary that a fund equal to ninety-two thousandths of one per cent (.00092) of the total paid-in capital stock and surplus of the Federal reserve banks be created for the purpose hereinbefore described, exclusive of the cost of engraving and printing of Federal reserve notes; Now, therefore,

BE IT RESOLVED, That pursuant to the authority vested in it by law, the Federal Reserve Board hereby levies an assessment upon the several Federal reserve banks of an amount equal to ninety-two thousandths of one per cent (.00092) of the total paid-in capital and surplus of such banks as of June 30, 1930, and the Fiscal Agent of the Board is hereby authorized to collect from said banks such assessment and execute, in the name of the Board, receipts for payments made. Such assessments will be collected in two installments of one-half each; the first installment to be paid on July 1, 1930, and the second half on September 1, 1930.

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X-6633

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

For immediate release. June 19, 1930.

The Federal Reserve Board announces that the Federal Reserve Bank of New York has established a rediscount rate of 2½ per cent on all classes of paper of all maturities, effective June 20, 1930.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6634

June 19, 1930.

SUBJECT: Holidays during July, 1930.

Dear Sir:

On Friday, July 4th, there will be neither Gold Settlement Fund nor Federal reserve note clearing, and the books of the Federal Reserve Board will be closed.

The following banks and branches will also be closed on the dates indicated:

Saturday	July 5	Baltimore	Special holiday
Monday	July 14	Nashville Memphis	Birthday of General Forrest
Thursday	July 24	Salt Lake City	Pioneer Day
Saturday	July 26	Dallas El Paso Houston San Antonio	Primary Election Day
Tuesday	July 29	Oklahoma City	Primary Election Day

On the dates indicated, the banks and branches affected will not participate in either the Gold Fund clearing or the Federal reserve note clearing.

Please include credits for the banks affected on each of the holidays with your credits for the following business day in the Gold Fund clearing, and make no shipment of Federal reserve notes, fit or unfit, for account of the Federal Reserve Bank of Dallas on July 26th.

Kindly notify branches.

Very truly yours,

J. C. Noell,
Assistant Secretary.

TO GOVERNORS OF ALL F. R. BANKS.

X-6635

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

For release at 3:00 p.m. June 20, 1930.

The Federal Reserve Board announces that the Federal Reserve Bank of Chicago has established a rediscount rate of 3 ½ % on all classes of paper of all maturities, effective June 21, 1930.

June 27, 1930.

Federal Reserve Board

Mr. Wyatt - General Counsel.

Amendments to Regulation J Recommended by the Conference of Counsel.

On June 17th I submitted to the Board for its information a copy of the Minutes of the Conference of Counsel of all Federal reserve banks held in Washington on June 9th and 10th, which recommended that the Board adopt certain amendments to Regulation J for the purpose of clarifying the rights, duties and responsibilities of all parties to the collection of checks through Federal reserve banks and for the purpose of protecting Federal reserve banks against unwarranted liabilities which might otherwise result from the recent decision of the Supreme Court of the United States in the case of Thomas A. Early, Receiver, v. Federal Reserve Bank of Richmond.

I now respectfully submit herewith a letter addressed to the Board by Honorable Newton D. Baker recommending that the Board adopt these proposed amendments to Regulation J, with certain slight changes in punctuation and phraseology, at the earliest possible date.

RECOMMENDATIONS

I respectfully recommend:

1. That the attached amendments to Regulation J, as recommended by the Conference of Counsel, with certain changes in phraseology and punctuation suggested by Honorable Newton D. Baker and myself, be adopted by the Board at the earliest possible date and be made effective thirty days after their adoption;

2. That, if the Board is unwilling to adopt these amendments without further consultation with the Federal reserve banks, the attached draft of the amendments with the changes in phraseology recommended by Mr. Baker and myself, be transmitted to all Federal reserve banks immediately with a request that they advise the Board of their views thereon at the earliest possible moment;

3. That, if the replies received from the Federal reserve banks disclose no important differences of opinion, the Board immediately adopt the proposed amendments without awaiting the action of a Conference of Governors on this subject; and

4. That the Board immediately request Governor Calkins to request the Standing Committee on Collections, with the assistance of the undersigned and a committee of Counsel of the Federal reserve banks, to proceed immediately to prepare a revision of the uniform provisions of the check collection circulars of the Federal reserve banks, in order that the new check collection circulars may be adopted, printed and distributed within thirty days after the Board adopts the proposed amendments to Regulation J.

With all of the Federal reserve banks represented by one or more Counsel and with four members of the Standing Committee on Collections present and participating in the discussion, the Conference recommended these amendments to Regulation J with only one dissenting vote, that of Mr. M. G. Wallace, Counsel to the Federal Reserve Bank of Richmond, who explained that he was acting in accordance with definite instructions from the officers of his bank. However, several of the counsel requested that they be placed on record as opposing in principle certain of the amendments, although they voted for the recommendation as a whole for the sake of uniformity. These statements, which were dictated to a stenographer during the meeting and carefully checked by the persons making them, were incorporated in the Minutes of the Conference, a copy of which is attached hereto for the Board's information.

The Conference voted to recommend the proposed amendments to Regulation J in the form set forth in the attached copy of the Minutes of the Conference, with the understanding that Honorable Newton D. Baker and the undersigned should be at liberty to make such changes in the punctuation and phraseology of the amendments as might be deemed advisable but without making any changes in the substance of the amendments.

It will also be necessary for the check collection circulars of the Federal reserve banks to be revised so as to conform to the amended regulation; and the Conference adopted a resolution requesting the Chairman of the Governors' Conference to instruct the Standing Committee on Collections to prepare a revised draft of the uniform provisions of the check collection circulars with the assistance of a committee consisting of the undersigned and Counsel for several of the Federal reserve banks as soon as possible.

Honorable Newton D. Baker, who had been retained by the Board for the purpose of giving the Board the benefit of his views as to any amendments to Regulation J which might be recommended by the Conference of Counsel, was unable to reach Washington until after the Conference was over; but, prior to the Conference, he studied all letters and memoranda which had been written on this subject and was fully acquainted with the problems before the Conference and with the views with respect to these problems which had been expressed by this office and by Counsel to the various Federal reserve banks. On Wednesday, June 11, Mr. Baker and I, together with Counsel for a number of the Federal reserve banks, carefully examined the proposed amendments to Regulation J recommended by the Conference and agreed upon certain changes in the phraseology of the amendments which would clarify and improve the form of the amendments, but would make no changes in the substance thereof.

VIEWS OF MR. BAKER AND MR. WYATT.

After consultation and after very careful consideration of the proposed amendments to Regulation J recommended by the Conference of Counsel, Mr. Baker and I are of the opinion that these proposed amendments (with our

suggested changes in phraseology) are entirely consistent with the method of collecting checks heretofore authorized by the Board in its Regulation J; that they more clearly define the rights, duties and responsibilities of all parties to the collection of checks through the Federal reserve banks than the existing regulations; thay they are a distinct improvement over the existing regulations; that the regulation as so amended would afford to the Federal reserve banks much greater protection against unwarranted liabilities resulting from the recent decision of the Supreme Court in the Early Case; and that they would greatly reduce the chances of litigation which otherwise might result from the decision of the Supreme Court in the Early Case.

Mr. Baker and I, therefore, are of the opinion that it is very important to the Federal Reserve System that Regulation J and the check collection circulars of the Federal reserve banks be amended at the earliest possible date in accordance with the recommendations made by the Conference of Counsel but with the changes in phraseology which we have agreed upon.

TEXT OF PROPOSED AMENDMENTS.

The proposed amendments to Regulation J in the form recommended by the Conference of Counsel are set forth in the Minutes of the Conference of Counsel, a copy of which is attached hereto. With the slight changes in phraseology suggested by Mr. Baker and myself, which did not change the substance of the proposed amendments and are in no way inconsistent with the amendments recommended by the Conference of Counsel, these proposed amendments are as follows:

"SECTION III

"That paragraph 1 of Section III be amended by changing the words "acceptable to the Federal Reserve Bank of the District in which such nonmember banks are located' to read 'acceptable to the collecting Federal reserve bank.'

"That paragraph 3 of Section III be amended by changing the words 'acceptable to the Federal Reserve Bank of the District in which such nonmember bank is located' to read 'acceptable to the collecting Federal reserve bank'.

"SECTION IV.

"That paragraph 2 of Section IV be amended by changing the period at the end thereof to a comma and by adding the following words:

"'provided, however, that the Federal reserve bank may in its discretion refuse at any time to permit the withdrawal or other use of credit given for any item for which the Federal reserve bank has not yet received payment in

"actually and finally collected funds.'

"That paragraph 3 of Section IV be amended by changing the period at the end thereof to a comma and by adding the following words:

"'provided, however, that the Federal reserve bank may in its discretion refuse at any time to permit the withdrawal or other use of credit given for any item for which the Federal reserve bank has not yet received payment in actually and finally collected funds.'"

"SECTION V.

"That Section V be amended to read as follows:

"'SECTION V. TERMS OF COLLECTION.

"'The Federal Reserve Board hereby authorizes the Federal reserve banks to handle such checks subject to the following terms and conditions; and each member and nonmember clearing bank which sends checks to any Federal reserve bank for deposit or collection shall by such action be deemed (a) to authorize the Federal reserve banks to handle such checks subject to the following terms and conditions, (b) to warrant its own authority to give the Federal reserve banks such authority, and (c) to agree to indemnify any Federal reserve bank for any loss resulting from the failure of such sending bank to have such authority.

"'(1) A Federal reserve bank will act only as agent of the bank from which it receives such checks and will assume no liability except for its own negligence and its guaranty of prior indorsements.

"'(2) A Federal reserve bank may present such checks for payment or send such checks for collection direct to the bank on which they are drawn or at which they are payable, or in its discretion may forward them to another agent with authority to present them for payment or send them for collection direct to the bank on which they are drawn or at which they are payable.

"'(3) A Federal reserve bank may, in its discretion and at its option, either directly or through or from an agent, accept in payment of or in remittance for such checks, cash, bank drafts, transfers of funds or bank credits, or other forms of payment or remittance, acceptable to the collecting Federal

reserve bank. The Federal reserve bank shall not be liable for the failure of the drawee bank or any agent to pay or remit for such checks, nor for any loss resulting from the acceptance from the drawee bank or any collecting agent, in lieu of cash, of any other form of payment or remittance authorized herein, nor for the nonpayment of, or failure to realize upon, any bank draft or other medium of payment or remittance which may be accepted from the drawee bank or any collecting agent.

"'(4) Checks received by a Federal reserve bank which are payable in its own district will ordinarily be forwarded or presented direct to the banks on which they are drawn, and such banks will be required to remit or pay therefor at par in such one or more of the forms of payment or remittance authorized under paragraph (3) hereof as may be acceptable to the Federal reserve bank.

"'(5) Checks received by a Federal reserve bank payable in other districts will ordinarily be forwarded for collection to the Federal reserve bank of the district in which such checks are payable; provided, however, that, where arrangements can be made satisfactory to the collecting bank or agent and to the Federal reserve bank of the district in which such checks are payable, any such checks may be forwarded for collection direct to the bank on which they are drawn or at which they are payable, or may be forwarded for collection to another agent with authority to present them for payment direct to the bank on which they are drawn or at which they are payable. All such checks shall be handled subject to all the terms and conditions of this Regulation.

"'(6) Bank drafts received by a Federal reserve bank in payment of or in remittance for checks handled under the terms of this regulation shall likewise be handled for collection subject to all the terms and conditions of this regulation.

"'(7) The amount of any check for which payment in actually and finally collected funds is not received shall be charged back to the forwarding bank, regardless of whether or not the check itself can be returned. In such event, neither the owner or holder of any such check, nor the bank which sent such check to the Federal reserve bank for collection shall have any right of recourse upon, interest in, or right of payment from, any reserve balance, clearing account,

deposit account, or other such fund of the drawee bank or of any bank to which such checks have been sent for collection, in the possession of the Federal reserve bank. No draft, authorization to charge, or other order, upon any reserve balance, clearing account, deposit account, or other such funds of a paying, remitting, or collecting bank in the possession of a Federal reserve bank, issued for the purpose of settling items handled under the terms of this Regulation will be paid, acted upon, or honored after receipt by such Federal reserve bank of notice of suspension or closing of such paying, remitting, or collecting bank.'"

There is also submitted as a separate document a print showing the exact textual changes which would be made in the regulation by the proposed amendments and also the changes in phraseology made by Mr. Baker and the undersigned.

EXPLANATION OF PROPOSED AMENDMENTS.

Sec. III. The proposed amendments to paragraphs 1 and 3 of Section III make no important changes in the regulation, but merely change the phraseology thereof so as to conform to another proposed amendment designed to permit Federal reserve banks to send checks for collection direct to banks in another district, in accordance with recommendations of the Governors' Conference and the Standing Committee on Collections which will hereafter be explained.

Sec. IV. The proposed amendments to paragraphs 2 and 3 of Section IV were suggested by Mr. Walter S. Logan, Counsel to the Federal Reserve Bank of New York, and are designed to make clear the right of a Federal reserve bank to refuse to permit the withdrawal or other use of credit given for any item for which a Federal reserve bank has not received payment in actually and finally collected funds.

Under the terms of Section IV of Regulation J, immediate credit is given for certain checks and credit is given for all other checks at the expiration of the time stated in the time schedule, regardless of whether or not the checks have actually been collected. Under the terms of the regulation the credit thus given is subject to final payment, and the Federal reserve bank clearly has the right to charge the checks back to the member bank if final payment is not received. If the member bank draws out its reserve balance and fails before final payment is received on such checks, however, the Federal reserve bank probably would be unable to collect the checks and there would be no reserve balance to which they could be charged. In the case of banks in an extended condition, therefore, it is important that the Federal reserve bank have the right to refuse to permit the withdrawal of credit given for checks which have not finally been collected; and, in order to prevent "kiting", it may be important for the Federal reserve banks to have this right as to perfectly solvent member banks.

I understand that the Federal reserve banks have assumed that they have this right and have exercised it whenever the occasion seemed to warrant it; but the view was expressed that their right to refuse to permit member banks to draw against uncollected funds might sometimes be challenged, in view of the present language of the regulations to the effect that credit given in the reserve account, subject to final payment, will be "counted as reserve and become available for withdrawal or other use by the sending bank." I understand that, if this amendment is adopted, the Federal reserve banks do not intend to make any change in their present practice; but they desire this amendment in order that there may be no doubt of their right to continue their present practice.

The practice of reserving the right to refuse to honor checks drawn against uncollected funds is in accordance with commercial banking practice, and I know of no reason why the Federal reserve banks should not reserve such right.

Section V of Regulation J, which deals with "Terms of Collection", consists of an introductory paragraph which is not numbered and six paragraphs numbered from 1 to 6 inclusive. The Conference recommended no changes whatever in the introductory paragraph and in paragraphs numbered 1 and 2. These paragraphs, as set forth in the attached resolution, therefore, are exactly the same as the corresponding paragraphs of the existing regulation.

Paragraph 3 - The Conference recommended that paragraph 3 of Section V of Regulation J be amended as follows, the letters in ordinary type indicating the present language of the regulation, the canceled words being stricken from the present regulation, and the words in capital letters being inserted:

> "(3) A Federal reserve bank may, in its discretion and at its option, either directly or through OR FROM an agent, accept ~~either cash or bank drafts~~ in payment of or in remittance for such checks, CASH, BANK DRAFTS, TRANSFERS OF FUNDS OR BANK CREDITS, OR OTHER FORMS OF PAYMENT OR REMITTANCE, ACCEPTABLE TO THE COLLECTING FEDERAL RESERVE BANK. THE FEDERAL RESERVE BANK shall not be ~~held~~ liable FOR THE FAILURE OF THE DRAWEE BANK OR ANY AGENT TO PAY OR REMIT FOR SUCH CHECKS, NOR for any loss resulting from the acceptance ~~of bank drafts~~ FROM THE DRAWEE BANK OR ANY COLLECTING AGENT, in lieu of cash, OF ANY OTHER FORM OF PAYMENT OR REMITTANCE AUTHORIZED HEREIN, ~~nor for the failure of the draweebank or any agent to remit for such checks,~~ nor for the nonpayment of, OR FAILURE TO REALIZE UPON any bank draft ~~accepted in payment or~~ as a OR OTHER MEDIUM OF PAYMENT OR remittance WHICH MAY BE ACCEPTED FROM the drawee bank or any COLLECTING agent."

The principal changes proposed to be made in the substance of this paragraph are as follows:

Whereas paragraph 3 of the present regulation in terms authorizes the Federal reserve bank to accept only cash or bank drafts in remittance for checks forwarded for collection, it is proposed to have the new regulation authorize the acceptance of such other forms of payment or remittance as are customarily accepted by Federal reserve banks, and very broad language is used for this purpose. It is not contemplated that this amendment will result in any change in the present practices of the Federal reserve banks, but it is intended clearly to authorize the continuation of the present practices. In addition to cash and bank drafts, the Federal reserve banks accept informal authorizations to charge the amount of such checks to the reserve account of the drawee bank, telegraphic transfers of bank funds and in some instances an authorization to charge the amount of such checks to the reserve account of a bank other than the drawee bank. The purpose of the amendment, therefore, is simply to broaden the language so as to cover all forms of remittance customarily accepted by the Federal reserve banks. While the language might seem quite broad, I see no objection to it, because the Federal reserve banks, for their own protection, would insist upon the best form of remittance that they can possibly get.

Par. 4. The proposed changes in paragraph 4 are as follows:

"(5) Checks received by a Federal reserve bank on ~~its~~ member or nonmember clearing banks WHICH ARE PAYABLE IN ITS OWN DISTRICT will ordinarily be forwarded or presented direct to such THE banks, - ON WHICH THEY ARE DRAWN, and such banks will be required to remit or pay therefor at par in ~~cash or bank draft~~ SUCH ONE OR MORE OF THE FORMS OF PAYMENT OR REMITTANCE AUTHORIZED UNDER PARAGRAPH(3) HEREOF AS MAY BE acceptable to the ~~collecting~~ Federal reserve bank, ~~or at the option of such Federal reserve bank to authorize such Federal reserve bank to charge their reserve accounts or clearing accounts.~~

The principal change in paragraph 4 is the elimination therefrom of the specific mention of the form of payment of remittance which will be expected from the drawee bank and the substitution therefor of a general statement to the effect that the drawee banks will be required to pay for such checks at par "in such one or more of the forms of payment or remittance authorized under paragraph 3 hereof as may be acceptable to the Federal reserve bank." Having specified in paragraph 3 all of the forms of remittance customarily received by Federal reserve banks, it was deemed unnecessary to repeat the specific mention of these various forms of remittance in paragraph 4, and it was thought better merely to refer to paragraph 3.

There is one other change proposed to be made in paragraph 4 which I think I should call specially to the Board's attention. In the existing regulation, this paragraph is limited to checks received by the Federal reserve bank on its member or nonmember clearing banks, and the paragraph contains a requirement that such banks remit at par for the checks sent to them. Because this paragraph also states the forms of remittance which will be expected by the Federal reserve banks from all banks to which such checks are sent for collection, including par remitting nonmember banks which maintain no clearing account, the Conference felt that it should not be limited to member banks and nonmember clearing banks. Heretofore it has been limited to member banks and nonmember clearing banks; because it contains a requirement that such banks remit at par, and the Federal Reserve Board has no right to require nonmember banks to remit at par. In practice, however, the only checks which are forwarded direct to nonmember banks are checks on those which voluntarily agree to remit at par; and therefore, it would seem appropriate for this paragraph to apply to nonmember banks as well as to member banks and nonmember clearing banks.

By making the paragraph containing a requirement that they remit at par apply to nonmember banks, it might be contended that the Federal Reserve Board is again attempting to enforce par clearance on nonmember banks which are unwilling to remit at par; but this contention would be absurd in view of the provisions of Section III of Regulation J, which clearly forbid the Federal reserve banks to receive on deposit or for collection any check on any nonmember bank which cannot be collected at par. The classes of checks which can be received for collection are specified by Section III of the Regulation; and Section V deals only with the terms governing the collection of such checks.

I therefore, feel that there is no objection to the proposed amendment to paragraph 4.

Paragraph 5. The proposed change in paragraph 5 recommended is as follows:

> "(5) Checks received by a Federal reserve bank payable in other districts will ORDINARILY be forwarded for collection ~~upon the terms and conditions herein provided~~ to the Federal reserve bank of the district in which such checks are payable; PROVIDED, HOWEVER, THAT WHERE ARRANGEMENTS CAN BE MADE SATISFACTORY TO THE COLLECTING BANK OR AGENT AND TO THE FEDERAL RESERVE BANK OF THE DISTRICT IN WHICH SUCH CHECKS ARE PAYABLE, ANY SUCH CHECKS MAY BE FORWARDED FOR COLLECTION DIRECT TO THE BANK ON WHICH THEY ARE DRAWN OR AT WHICH THEY ARE PAYABLE, OR MAY BE FORWARDED FOR COLLECTION TO ANOTHER AGENT WITH AUTHORITY TO PRESENT THEM FOR PAYMENT DIRECT TO THE BANK ON WHICH THEY ARE DRAWN OR AT WHICH THEY ARE PAYABLE. ALL SUCH CHECKS SHALL BE HANDLED SUBJECT TO ALL THE TERMS AND CONDITIONS OF THIS REGULATION."

The only purpose of the proposed changes in this paragraph is to enable the Federal reserve banks to forward checks for collection direct to drawee banks in other districts, in order to expedite the collection of such checks when satisfactory arrangements can be made with the Federal reserve bank of the district in which such checks are payable and with the drawee banks or with the banks to which such checks are forwarded for collection.

It will be remembered that the Standing Committee on Collections had recommended to the Governors' Conference that Federal reserve banks be authorized at their discretion to conduct an experiment along this line by sending checks for collection direct to drawee banks located in the principal cities in States adjoining their districts, when appropriate arrangements could be made with the drawee banks and Federal reserve banks of the other district, provided that I was of the opinion that such practice would be legal. I advised the Board that such practice would not violate the law, provided that no checks received from other Federal reserve banks were handled in this way, but that Regulation J prohibits such practice, because it requires all Federal reserve banks receiving checks payable in other districts to forward them to the Federal reserve banks of the district in which they are payable. The Board advised the Federal reserve banks of my opinion in a letter addressed to them under date of October 31, 1929 (X-6405); and the Governors' Conference requested the Standing Committee on Collections to prepare a proposed amendment to Regulation J for this purpose.

The above quoted amendment is substantially the same as the one drafted by the Standing Committee on Collections, pursuant to this request of the Governors' Conference; and I know of no reason why it should not be adopted.

Paragraph 6. The proposed paragraph 6 is entirely new and is intended to enable the Federal reserve banks to handle the bank drafts which they receive in remittance for checks handled under the terms of Regulation J without having to present such bank drafts over the counter and insist upon payment in cash in accordance with the old common law rules. In my opinion, this is entirely consistent with the other provisions of Regulation J and is justified by the fact that it is practically impossible for Federal reserve banks always to obtain remittances in the form of cash or drafts on the reserve account and, therefore, they must frequently accept bank drafts drawn on other banks. Wherever possible, they insist upon drafts drawn upon other banks located in the city of the collecting Federal reserve bank, so that they can be collected on the day on which they are received; but, even in such cases, such drafts usually are not presented across the counter and collected in cash, but are collected through the local clearing houses or through some clearing house arrangement entered into by the Federal reserve bank with the banks located in the Federal reserve city. It is not always possible to obtain drafts drawn on banks located in the city of the collecting Federal reserve banks; and, when drafts are received on banks outside of such cities, it is necessary for the Federal reserve bank to forward them through the mails for collection. In all such instances it is vitally important that the Federal reserve banks have the right to

handle such bank drafts exactly in the same way that they handle other checks for collection. I, therefore, proposed this amendment myself and have no doubt that its adoption is thoroughly justified.

Paragraph 7. The proposed amendment to paragraph 7 is as follows:

> "(7) The amount of any check for which payment in actually and finally collected funds is not received shall be charged back to the forwarding bank, regardless of whether or not the check itself can be returned. IN SUCH EVENT, NEITHER THE OWNER OR HOLDER OF ANY SUCH CHECK, NOR THE BANK WHICH SENT SUCH CHECK TO THE FEDERAL RESERVE BANK FOR COLLECTION SHALL HAVE ANY RIGHT OF RECOURSE UPON, INTEREST IN, OR RIGHT OF PAYMENT FROM, ANY RESERVE BALANCE, CLEARING ACCOUNT, OR DEPOSIT ACCOUNT, OR OTHER SUCH FUND OF THE DRAWEE BANK OR OF ANY BANK TO WHICH SUCH CHECKS HAVE BEEN SENT FOR COLLECTION, IN THE POSSESSION OF THE FEDERAL RESERVE BANK. NO DRAFT, AUTHORIZATION TO CHARGE, OR OTHER ORDER UPON ANY RESERVE BALANCE, CLEARING ACCOUNT, DEPOSIT ACCOUNT, OR OTHER SUCH FUNDS OF A PAYING, REMITTING, OR COLLECTING BANK IN THE POSSESSION OF A FEDERAL RESERVE BANK, ISSUED FOR THE PURPOSE OF SETTLING ITEMS HANDLED UNDER THE TERMS OF THIS REGULATION WILL BE PAID, ACTED UPON, OR HONORED AFTER SUCH FEDERAL RESERVE BANK OF NOTICE OF SUSPENSION OR CLOSING OF SUCH PAYING, REMITTING, OR COLLECTING BANK."

This is the most important amendment recommended by the Conference of Counsel, and is intended to clarify the rights, duties and responsibilities of all parties to the collection of the checks through Federal reserve banks and to protect the Federal reserve banks against the assumption of unwarranted liabilities as a result of the decision of the Supreme Court of the United States in the Early Case.

The first sentence of this paragraph is the same as paragraph 6 of the present regulation. It has been in the regulation ever since 1924, and no change is proposed to be made in it.

The second sentence of this paragraph is similar to the proposed amendment recommended by the Conference of Counsel in April, 1929, but omits the reference to collateral and other property of the drawee bank in the possession of the Federal reserve bank which gave rise to the difference of opinion amongst the eight counsel voting for that recommendation last year and gave rise to the question raised by Governor Harding in his letter of October 19, 1929. In other words, it is now proposed that this sentence refer only to any reserve balance, clearing account, deposit account or other such fund of the drawee bank, or of any bank to which such checks have been sent for collection, and that it makes no reference to collateral or other property of such other banks in the possession of the Federal reserve bank. Whereas, last year the corresponding amendment to Regulation J was voted for by only 8 of the 12 counsel and they were divided on its interpretation by a vote of 5 to 3; this year the representatives for all of the Federal reserve banks

except Richmond voted for it in this modified form.

This sentence is also modified so as to conform to the suggestion made by Deputy Governor Blair of the Federal Reserve Bank of Chicago in his letter of October 22, 1929, - i.e., so as to apply to drafts or other orders upon the reserve accounts of banks to which checks are sent for collection as well as to drafts or orders upon the reserve account of the drawee bank. I originally opposed this suggestion; but, upon further reflection, I believe it is wise to adopt it.

The last sentence of this paragraph, which is entirely new, was proposed originally by Mr. Agnew, Counsel to the Federal Reserve Bank of San Francisco, and is intended definitely to prohibit the practice engaged in by the Federal Reserve Bank of Richmond, which gave rise to the Early Case and resulted in a decision extremely dangerous to all of the Federal reserve banks. The proposed amendment is in accordance with the generally accepted view that, upon the appointment of a receiver for a bank, the rights of all parties become fixed and no action can be taken thereafter changing or affecting the rights of any parties having dealings with the insolvent bank. This view is very strongly maintained by the Office of the Comptroller of the Currency, and a failure to accept it must necessarily result in further litigation. Regardless of whether such drafts or orders may lawfully be charged to the reserve account of a member bank after the appointment of a receiver for such bank, it is my opinion, and obviously was the opinion of the majority of the counsel, that the Federal reserve banks have a right by contract to stipulate that no such draft, authorization to charge, or other order will be executed or charged to the reserve account after receipt of notice of suspension or closing of the bank issuing such order and that, where this is clearly understood in advance, no injustice results.

Section V of Regulation J defines the terms upon which Federal reserve banks will collect checks, and all banks which send checks to Federal reserve banks for collection agree to these terms. In my opinion, it is perfectly competent and entirely proper for them to agree that no draft, authorization to charge or other order upon funds of a paying, remitting or collecting bank in the possession of a Federal reserve bank, issued for the purpose of settling items handled under the terms of this regulation, will be paid, acted upon or honored after receipt by such Federal reserve bank of notice of suspension or closing of such paying, remitting or collecting bank; and I believe that it is important to include this provision in the regulation, so that there will be a clear understanding on this point and litigation which otherwise would arise will be avoided.

INTERPRETATION OF UNIFORM POLICY.

The Conference discussed the advisability of adopting some further resolution regarding the interpretation of the uniform policy recommended by the Conference of Counsel and adopted by the Conference of

Governors in April, 1929, but took no formal action thereon, because it believed that the uniform policy previously adopted, together with the vote taken by the Governors' Conference at its meeting in December, 1929, completely covered the subject, especially since it is now proposed to eliminate from the amended regulations all reference to collateral.

It will be remembered that the uniform policy contained the following paragraph pertaining to collateral:

> "4. When a Federal reserve bank takes from one of its members collateral for the payment of indebtedness due to it by such member, such collateral should be applicable only to the satisfaction and discharge of the obligations due to the reserve bank in its own right. It would be an unwise policy, in our opinion, to permit such collateral to be utilized in the liquidation or satisfaction of debts payable to the Federal reserve bank as a collection agent."

The amendment then proposed to paragraph 6 of the Regulation provided, in part, that:

> "In such event, neither the owner or holder of any such check, nor the bank which sent such check to the Federal reserve bank for collection, shall have any right of recourse upon, interest in, or right of payment from, any fund, reserve, collateral, or other property of the drawee bank in the possession of the Federal reserve bank."

In a letter addressed to Governor Young under date of October 19, 1929, Governor Harding raised the question whether the uniform policy and the amendment to the regulation were intended to carry with them any implication that a Federal reserve bank may not make special arrangements with reference to collateral to insure the payment of checks in special cases. Opinions on this question were divided, and the subject was placed on the program for the next Governors' Conference. Upon consideration of this question, the Conference of Governors of all Federal reserve banks, at its meeting in December, 1929, 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."

The amendments now proposed to the regulation omit any reference to collateral and, therefore, clearly conform to the views of the Conference of Governors on this subject. I concur in the view of the Conference of Counsel, therefore, that the uniform policy, when read in connection with the vote taken by the Governors' Conference at its meeting in December, 1929, completely covers this subject and that no further interpretation of the uniform policy is necessary in view of the amendments now proposed to the regulation. In other words, the Governors' Conference in December, 1929, clearly concurred in Governor Harding's views on this subject; and, by adopting an amended regulation which makes no reference to collateral, the Board will also concur in his view; so that no further clarification of this point is necessary.

IMPORTANCE OF PROMPT ACTION.

I respectfully invite the Board's attention to the fact that these proposed amendments to Regulation J are designed to protect the Federal reserve banks against the possible dangers growing out of the decision of the Supreme Court in the case of Thomas A. Early, Receiver, v. Federal Reserve Bank of Richmond, and that every day's delay in the final promulgation of these regulations may result in substantial financial loss to the Federal reserve banks. It is, therefore, very important that these amendments to Regulation J be made effective as soon as possible and that every effort be made to expedite their final promulgation.

I, therefore, respectfully recommend that, unless the Board is willing to adopt these regulations without further consultation with the Federal reserve banks, the text of these proposed amendments be transmitted immediately to all Federal reserve banks with the request that each of them submit to the Board at the earliest possible date all criticisms and comments with reference thereto. If the replies received indicate no important differences of opinion, it would seem safe for the Board to promulgate the amended regulation and make it effective without awaiting formal consideration of a Conference of the Governors of the Federal reserve banks. On the other hand, if the replies received to this inquiry disclose important differences of opinion, then the Board can consider the advisability of delaying the final promulgation of the regulations until they have been considered formally by the Conference of Governors.

I believe that this procedure would be most likely to result in the promulgation of the regulation at the earliest possible date and at the same time afford sufficient safeguards against the adoption of a regulation which is not satisfactory to the great majority of the Federal reserve banks.

Respectfully,

Walter Wyatt,
General Counsel.

Papers attached

WW SAD- C

Textual changes which would be made in Regulation J of Board's Regulations, Series of 1928, by amendments recommended by Conference of Federal Reserve Bank Counsel held in June, 1930, and by additional changes recommended by Messrs. Baker and Wyatt.

Present regulation is indicated by ordinary type.

Matter proposed to be stricken out is indicated by canceled wording.

Conference of Counsel recommendations are indicated by CAPITAL LETTERS.

Additional changes recommended by Messrs. Baker and Wyatt are indicated by CAPITAL LETTERS and are UNDERLINED.

SECTION III

Paragraph 1 of Section III would be changed as follows:

"(1) Each Federal reserve bank will receive at par from its member banks and from nonmember clearing banks in its district, checks drawn on all member and nonmember clearing banks, and checks drawn on all other nonmember banks which are collectible at par in funds acceptable to the COLLECTING Federal reserve bank. ~~of the district in which such nonmember banks are located.~~"

Paragraph 3 of Section III would be changed as follows:

"(3) No Federal reserve bank shall receive on deposit or for collection any check drawn on any nonmember bank which can not be collected at par in funds acceptable to the COLLECTING Federal reserve bank ~~of the district in which such nonmember bank is located.~~"

SECTION IV.

Paragraph 2 of Section IV would be changed as follows:

"(2) For all such checks as are received for immediate credit in accordance with such time schedule, immediate credit, subject to final payment, will be given upon the books of the Federal reserve bank at full face value in the reserve account or clearing account upon day of receipt, and the proceeds will at once be counted as reserve and become available for withdrawal or other use by the sending bank, PROVIDED, HOWEVER, THAT THE FEDERAL RESERVE BANK MAY IN ITS DISCRETION REFUSE AT ANY TIME TO

PERMIT THE WITHDRAWAL OR OTHER USE OF CREDIT GIVEN FOR ANY ITEM FOR WHICH THE FEDERAL RESERVE BANK HAS NOT YET RECEIVED PAYMENT IN ACTUALLY AND FINALLY COLLECTED FUNDS."

Paragraph 3 of Section IV would be changed as follows:

"(3) For all such checks as are received for deferred credit in accordance with such time schedule, deferred credit, subject to final payment, will be entered upon the books of the Federal reserve bank at full face value, but the proceeds will not be counted as reserve nor become available for withdrawal or other use by the sending bank until such time as may be specified in such time schedule, at which time credit will be transferred from the deferred account to the reserve account or clearing account subject to final payment and will then be counted as reserve and become available for withdrawal or other use by the sending bank., PROVIDED, HOWEVER, THAT THE FEDERAL RESERVE BANK MAY IN ITS DISCRETION REFUSE AT ANY TIME TO PERMIT THE WITHDRAWAL OR OTHER USE OF CREDIT GIVEN FOR ANY ITEM FOR WHICH THE FEDERAL RESERVE BANK HAS NOT YET RECEIVED PAYMENT IN ACTUALLY AND FINALLY COLLECTED FUNDS."

SECTION V.

This section would be amended to read as follows:

"SECTION V. TERMS OF COLLECTION

"The Federal Reserve Board hereby authorizes the Federal reserve banks to handle such checks subject to the following terms and conditions; and each member and nonmember clearing bank which sends checks to any Federal reserve bank for deposit or collection shall by such action be deemed (a) to authorize the Federal reserve banks to handle such checks subject to the following terms and conditions, (b) to warrant its own authority to give the Federal reserve banks such authority, and (c) to agree to indemnify any Federal reserve bank for any loss resulting from the failure of such sending bank to have such authority.

"(1) A Federal reserve bank will act only as agent of the bank from which it receives such checks and will assume no liability except for its own negligence and its guaranty of prior indorsements.

"(2) A Federal reserve bank may present such checks for payment or send such checks for collection direct to the bank on which they are drawn or at which they are payable, or in its discretion may forward them to another agent with authority to present them for payment or send them for collection direct to the bank on which they are drawn or at which they are payable."

"(3) A Federal reserve bank may, in its discretion and at its option, either directly or through OR FROM an agent, accept ~~either cash or bank drafts~~ in payment of or in remittance for such checks, CASH, BANK DRAFTS, TRANSFERS OF FUNDS OR BANK CREDITS, OR OTHER FORMS OF PAYMENT OR REMITTANCE, ACCEPTABLE TO THE COLLECTING FEDERAL RESERVE BANK. and THE FEDERAL RESERVE BANK shall not be held liable FOR THE FAILURE OF THE DRAWEE BANK OR ANY AGENT TO PAY OR REMIT FOR SUCH CHECKS, NOR for any loss resulting from the acceptance ~~of bank drafts~~ FROM THE DRAWEE BANK OR ANY COLLECTING AGENT, in lieu of cash, OF ANY OTHER FORM OF PAYMENT OR REMITTANCE AUTHORIZED HEREIN, ~~nor for the failure of the drawee bank or any agent to remit for such checks~~, nor for the non-payment of, OR FAILURE TO REALIZE UPON, any bank draft ~~accepted in payment or~~ as a OR OTHER MEDIUM OF PAYMENT OR remittance WHICH MAY BE ACCEPTED from the drawee bank or any COLLECTING agent."

"(4) Checks received by a Federal reserve bank ~~on its member or nonmember clearing banks~~ WHICH ARE PAYABLE IN ITS OWN DISTRICT will ordinarily be forwarded or presented direct to ~~such~~ THE banks, ON WHICH THEY ARE DRAWN, and such banks will be required to remit or pay therefor at par in ~~cash or bank draft~~ SUCH ONE OR MORE OF THE FORMS OF PAYMENT OR REMITTANCE AUTHORIZED UNDER PARAGRAPH (3) HEREOF AS MAY BE acceptable to the ~~collecting~~ Federal reserve bank, ~~or at the option of such Federal reserve bank to authorize such Federal reserve bank to charge their reserve accounts or clearing accounts.~~

"(5) Checks received by a Federal reserve bank payable in other districts will ORDINARILY be forwarded for collection ~~upon the terms and conditions herein provided~~ to the Federal reserve bank of the district in which such checks are payable; PROVIDED, HOWEVER, THAT, WHERE ARRANGEMENTS CAN BE MADE SATISFACTORY TO THE COLLECTING BANK OR AGENT AND TO THE FEDERAL RESERVE BANK OF THE DISTRICT IN WHICH SUCH CHECKS ARE PAYABLE, ANY SUCH CHECKS MAY BE FORWARDED FOR COLLECTION DIRECT TO THE BANK ON WHICH THEY ARE DRAWN OR AT WHICH THEY ARE PAYABLE, OR MAY BE FORWARDED FOR COLLECTION TO ANOTHER AGENT WITH AUTHORITY TO PRESENT THEM FOR PAYMENT DIRECT TO THE BANK ON WHICH THEY ARE DRAWN OR AT WHICH THEY ARE PAYABLE. ALL SUCH CHECKS SHALL BE HANDLED SUBJECT TO ALL THE TERMS AND CONDITIONS OF THIS REGULATION.

"(6) BANK DRAFTS RECEIVED BY A FEDERAL RESERVE BANK IN PAYMENT OF OR IN REMITTANCE FOR CHECKS HANDLED UNDER THE TERMS OF THIS REGULATION SHALL LIKEWISE BE HANDLED FOR COLLECTION SUBJECT TO ALL THE TERMS AND CONDITIONS OF THIS REGULATION.

"~~(6)~~ (7) The amount of any check for which payment in actually and finally collected funds is not received shall be charged back to the forwarding bank, regardless of whether or not the check itself can be returned. IN SUCH EVENT, NEITHER THE OWNER OR HOLDER OF ANY SUCH CHECK, NOR THE BANK WHICH SENT SUCH CHECK TO THE FEDERAL RESERVE BANK FOR COLLECTION SHALL HAVE ANY RIGHT OF RECOURSE UPON, INTEREST IN, OR RIGHT OF PAYMENT FROM, ANY RESERVE BALANCE, CLEARING ACCOUNT, OR DEPOSIT ACCOUNT, OR OTHER SUCH FUND OF THE DRAWEE BANK OR OF ANY BANK TO WHICH SUCH CHECKS HAVE BEEN SENT FOR COLLECTION, IN THE POSSESSION OF THE FEDERAL RESERVE BANK. NO DRAFT, AUTHORIZATION TO CHARGE, OR OTHER ORDER UPON ANY RESERVE BALANCE, CLEARING ACCOUNT, DEPOSIT ACCOUNT, OR OTHER SUCH FUNDS OF A PAYING, REMITTING, OR COLLECTING BANK IN THE POSSESSION OF A FEDERAL RESERVE BANK, ISSUED FOR THE PURPOSE OF SETTLING ITEMS HANDLED UNDER THE TERMS OF THIS REGULATION WILL BE PAID, ACTED UPON, OR HONORED AFTER RECEIPT BY SUCH FEDERAL RESERVE BANK OF NOTICE OF SUSPENSION OR CLOSING OF SUCH PAYING, REMITTING, OR COLLECTING BANK."

C O P Y

X-6638 652
June 23, 1930.

To: Federal Reserve Board

SUBJECT: Summary of Provisions of the Bill S-4723, introduced by Senator Glass.

From: Mr. Wingfield-Assistant Counsel.

On June 17, 1930, Senator Carter Glass introduced a bill, S. 4723, to amend the provisions of the National Bank Act and the Federal Reserve Act in a number of respects. When he introduced this bill Senator Glass stated on the floor of the Senate that it is merely a tentative measure to which he hopes to direct the inquiry into the banking system authorized by the Senate. For the information of the Board, however, I will briefly summarize below the most important changes which Senator Glass' bill would make in the present law.

(1) The first paragraph of the bill, S. 4723, states that the title of the bill is the "Banking Act of 1930."

(2) Section 2 of the bill, S. 4723, would amend the 7th paragraph of Section 5136 of the Revised Statutes which has to do with the powers which a national bank may exercise. In addition to the specific powers of national banks now contained in the law, this bill provides that national banks may generally engage in all forms of business that commercial banks of the State in which the national bank is situated are permitted to transact by the laws of the State, except in so far as national banks are expressly forbidden to undertake such business by the National Bank Act, the Federal Reserve Act, or other laws of the United States.

Under the present provisions of Section 5136 of the Revised Statutes, national banks are authorized to buy and sell investment securities. Section 2 of the bill, S. 4723, would also amend Section 5136 so as to limit this power of national banks to only the buying and selling of investment securities solely upon order and for account of customers, and in no case for its own account, except as specified in Section 24 of the Federal Reserve Act.

(3) Section 5144 of the Revised Statutes now provides that each shareholder of a national bank shall be entitled to one vote on each share of stock held by him. Section 3 of the bill S. 4723 would amend Section 5144 so as to restrict the right of a shareholder to vote only shares of stock actually owned by him as a result of bona fide purchase, gift or inheritance, and the shareholder who becomes such through nominal transfer, or ownership on behalf of another, may not vote stock so acquired. This section of the bill would further amend Section 5144 so as to provide that no corporation, association or partnership and no officer, employee or director of any corporation, association or partnership which is the owner of stock in any national bank shall vote either the stock owned by him individually or the stock owned by the corporation. The present provision of Section 5144 authorizing shareholders to vote by proxy is retained in the bill S. 4723.

(4) Section 4 of the bill S. 4723, would amend paragraph (c) of Section 5155 of the Revised Statutes so as to authorize a national bank, after the date of the approval of this bill, to establish and operate new branches within the limits of the State in which the national bank is situated rather than merely in the city, town or village in which such national bank is located. The proposed amendment retains the present provision of the law that new branches may only be established and operated if such establishment and operation are permitted to State banks by the law of the State in which the national bank is located.

(5) Under the provisions of Section 5197 as it now reads, a national bank is authorized to charge interest at the rate allowed by the laws of the State, territory or district where the bank is located and when no rate is so fixed by State law a national bank may charge a rate not exceeding 7 per centum. Section 5 of the bill S. 4723 would amend these provisions so as to authorize a national bank to charge the rate allowed by State law or a rate one per centum in excess of the discount rate of the Federal reserve bank in the Federal reserve district where the national bank is located, whichever may be greater, and where no rate is fixed by State law a national bank would be authorized to charge a rate not exceeding 7 per centum or one per centum in excess of the discount rate of the Federal reserve bank in the Federal reserve district where the national bank is located, whichever may be greater.

(6) Section 5200 of the Revised Statutes limits loans by a national bank to any one person to 10 per cent of the capital and surplus of the national bank. This section, however, contains a number of exceptions to the 10 per cent limitation. Section 6 of the bill S. 4723 would amend Section 5200 by adding a provision that no obligation of a broker or of any finance company, securities company, investment trust or other similar institution, or of any affiliate, shall be entitled to the benefits of any of the exceptions contained in Section 5200, but all such obligations shall be subject to the 10 per cent limitation. This section would further amend Section 5200 so as to provide that the total obligations of an affiliate shall not exceed the 10 per cent limitation or the amount of the capital stock of the affiliate actually paid in and unimpaired, whichever may be the smaller. It is further provided that an affiliate shall include a finance company, securities company, investment trust, or any other corporation the control of which is held directly or indirectly through stock ownership, or in any other manner by a national bank or by the shareholders thereof who own or control a majority of the stock of the national bank.

(7) Section 7 of the bill S. 4723 would amend Section 5211 of the Revised Statutes by adding a new paragraph which would require each affiliate of a national bank to furnish to the Comptroller of the Currency not less than three reports each year, setting out in detail the condition of the affiliate. The president of the national bank is required to satisfy himself as to the correctness of each such report transmitted to the Comptroller. This amendment contains detailed requirements with reference to the filing of such reports and the form of such reports and authorizes the Comptroller of the Currency to call for special reports whenever in his judgment it is necessary. An affiliate which fails to furnish the reports required of it shall be subject to a penalty of $100 for each day during which such failure continues.

(8) Section 8 of the bill S. 4723 would amend the first paragraph of Section 7 of the Federal Reserve Act so as to provide that after the payment of a 6 per cent dividend to member banks, one-fourth of the remainder of the net earnings of a Federal reserve bank shall be paid to the United States as a franchise tax, one-fourth to the surplus fund of the Federal reserve bank

(but after the surplus equals 100 per cent of the subscribed capital the remainder goes to the United States as a franchise tax) and the remaining 50 per cent of the net earnings of a Federal reserve bank shall be paid to the member bank stockholders.

(9) Section 9 of the bill S. 4723 would amend Section 9 of the Federal Reserve Act by adding a new paragraph which would require each affiliate of a member State bank to furnish to the Federal Reserve Board not less than three reports each year, containing detailed information with reference to the condition of the affiliate. This amendment contains detailed requirements with reference to the filing of such reports and the form thereof and requires the president of the member bank to satisfy himself as to the correctness of each such report transmitted to the Federal Reserve Board. Any affiliate which fails to make any report required shall be subject to a penalty of $100 for each day during which such failure continues. This section of the bill contains substantially the same definition of an affiliate as was contained in Section 6 of the bill as above noted.

(10) Section 10(a) of the bill S. 4723 would amend the first paragraph of Section 10 of the Federal Reserve Act so as to eliminate the Secretary of the Treasury from membership on the Federal Reserve Board and to provide for a membership of only seven members including six members appointed by the President of the United States and the Comptroller of the Currency as an ex officio member. Section 10(b) of this bill would amend the second paragraph of Section 10 of the Federal Reserve Act so as to eliminate the Secretary of the Treasury from the provision which now renders the Secretary or Comptroller of the Currency ineligible during the time he is in office and for two years thereafter to hold any office, position or employment in any member bank. Section 10(c) would amend the fourth paragraph of Section 10 of the Federal Reserve Act to eliminate the Secretary of the Treasury as an ex officio chairman of the Federal Reserve Board and to provide that the oaths of office of members of the Federal Reserve Board shall be filed with the Secretary of the Federal Reserve Board rather than be certified to the Secretary of the Treasury as is now required.

(11) Section 11 of the bill S. 4723 would amend the seventh paragraph of Section 13 of the Federal Reserve Act so as to provide that during the life or continuance of advances to a member bank on the 15-day promissory collateral notes of the member bank such member bank shall not increase or enlarge the total loans already made by it either upon collateral security to any borrower or to the members of any organized stock exchange, investment house, or dealer in securities, upon any obligation, note, or bill secured or unsecured, except for the purpose of purchasing and carrying obligations of the United States.

(12) Section 12, which is the last section of the bill S. 4723, would amend Section 24 of the Federal Reserve Act so as to require a national bank to invest its time and savings deposits in the amount of real estate loans authorized under the provisions of Section 24 of the Federal Reserve

Act or in property and securities of the kinds and amounts required by law of savings banks in the State where the national bank is situated. In case no such State savings bank law exists the savings and time deposits of a national bank shall be invested in property and securities specified by the Comptroller of the Currency. The reserve of 3% of time deposits required by the Federal Reserve Act shall count as a corresponding part of such investments. This section of the bill further provides that in case a national bank becomes insolvent, all the property acquired under this section shall be applied by the receiver thereof in the first place ratably and proportionately to the payment in full of the time and savings deposits of the national bank.

A copy of the bill S. 4723 is attached hereto for the Board's information.

Respectfully,

B. M. Wingfield,
Assistant Counsel.

Copy of bill attached.

BMW-sad

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6639

June 24, 1930.

SUBJECT: Expense, Main Line, Leased Wire System, May, 1930.

Dear Sir:

Enclosed herewith you will find two mimeograph statements, X-6639-a and X-6639-b, covering in detail operations of the main line, Leased Wire System, during the month of May, 1930.

Please credit the amount payable by your bank in the general account, Treasurer, U. S., on your books, and issue C/D Form 1, National Banks, for account of "Salaries and Expenses, Federal Reserve Board, Special Fund", Leased Wire System, sending duplicate C/D to the Federal Reserve Board.

Very truly yours,

Fiscal Agent.

Enclosures.

TO GOVERNORS OF ALL F. R. BANKS EXCEPT CHICAGO.

REPORT SHOWING CLASSIFICATION AND NUMBER OF WORDS TRANSMITTED OVER MAIN LINE OF THE FEDERAL RESERVE LEASED WIRE SYSTEM FOR THE MONTH OF MAY, 1930.

From	Business reported by banks	Words sent by New York chargeable to other F. R. Banks (1)	Net Federal Reserve Bank business	Percent of total bank business(*)
Boston	31,311	1,564	32,875	3.44
New York	146,314	-	146,314	15.33
Philadelphia	35,533	1,219	36,752	3.85
Cleveland	89,288	2,361	91,649	9.60
Richmond	60,808	2,572	63,380	6.64
Atlanta	64,017	6,930	70,947	7.43
Chicago	109,778	3,036	112,814	11.82
St. Louis	79,588	2,593	82,181	8.61
Minneapolis	36,294	2,984	39,278	4.11
Kansas City	83,109	2,441	85,550	8.96
Dallas	69,364	9,452	78,816	8.26
San Francisco	109,900	4,135	114,035	11.95
Total	915,304	39,287	954,591	100.00

F. R. Board business	274,774	1,229,365
Treasury Department business - Incoming and Outgoing		79,487
Total words transmitted over main lines		1,308,852

(*) These percentages used in calculating the pro rata share of leased wire expense as shown on the accompanying statement (X-6639-b)

(1) Number of words sent by New York to other F. R. Banks for their sole benefit charged to banks indicated in accordance with action taken at Governors' Conference November 2 - 4, 1925.

REPORT OF EXPENSE MAIN LINE
FEDERAL RESERVE LEASED WIRE SYSTEM, MAY, 1930.

Name of bank	Operators' Salaries	Operators' Overtime	Wire Rental	Total Expenses	Pro Rata Share of Total Expenses	Credits	Payable to Federal Reserve Board
Boston	$ 260.00	$ -	$ -	$ 260.00	$ 761.07	$ 260.00	$ 501.07
New York	1,077.46	-	-	1,077.46	3,391.64	1,077.46	2,314.18
Philadelphia	225.00	-	-	225.00	851.78	225.00	626.78
Cleveland	306.66	-	-	306.66	2,123.92	306.66	1,817.26
Richmond	190.00	-	230.00(&)	420.00	1,469.05	420.00	1,049.05
Atlanta	270.00	-	-	270.00	1,643.83	270.00	1,373.83
Chicago	4,016.24 (#)	-	-	4,016.24	2,615.08	4,016.24	1,401.16 (*)
St. Louis	195.00	-	-	195.00	1,904.90	195.00	1,709.90
Minneapolis	254.13	-	-	254.13	909.31	254.13	655.18
Kansas City	287.50	-	-	287.50	1,982.33	287.50	1,694.83
Dallas	251.00	-	-	251.00	1,827.46	251.00	1,576.46
San Francisco	380.00	-	-	380.00	2,643.84	380.00	2,263.84
Federal Reserve Board	-	-	15,611.70	15,611.70	-	-	-
Total	$7,712.99	$ -	$ 15,841.70	$23,554.69	$22,124.21	$7,942.99	$15,582.38
				1,430.48(a)			1,401.16 (b)
				$22,124.21			$14,181.22

(&) Main line rental, Richmond-Washington.
(#) Includes salaries of Washington operators.
(*) Credit.
(a) Received $1,430.48 from Treasury Department covering business for the month of May, 1930.
(b) Amount reimbursable to Chicago.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6640

June 24, 1930.

Dear Sir;

There are attached hereto a copy of H. R. 10211, introduced by Congressman Steagall, providing for a change in the distribution of the earnings of the Federal reserve banks, together with favorable report thereon made by the Committee on Banking and Currency.

While the views of the Board on this bill were not requested by the Committee, the Board would like to have your comments on it in order that it may be in position to determine whether or not it should go on record as opposing the bill. A reply at your earliest convenience would be appreciated.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

Enclosures.

TO ALL GOVERNORS AND FEDERAL RESERVE AGENTS.

COPY

X-6640-a

660

UNION CALENDAR NO. 478

71st CONGRESS
2d Session

H. R. 10211

(Report No. 1909)

IN THE HOUSE OF REPRESENTATIVES

February 24, 1930

Mr. STEAGALL introduced the following bill; which was referred to the Committee on Banking and Currency and ordered to be printed

June 14, 1930

Committed to the Committee of the Whole House on the state of the Union and ordered to be printed

---

A BILL

To provide for a more equitable distribution of earnings of Federal reserve banks.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That that part of the first paragraph of section 7 of the Federal Reserve Act as amended which reads as follows: "after the aforesaid dividend claims have been fully met, the net earnings shall be paid to the United States as a franchise tax except that the whole of such net earnings, including those for the year ending December 31, 1918, shall be paid into a surplus fund until it shall amount to 100 per centum of the subscribed capital stock of such bank, and that thereafter 10 per centum of such net earnings shall be paid

into the surplus," to be further amended to read as follows:

"After the aforesaid dividend claims have been fully met, the net earnings shall be paid into a surplus fund until it shall amount to 100 per centum of the subscribed capital stock of such bank, and thereafter 10 per centum of such net earnings shall be paid into the surplus. The remaining net earnings shall be divided between the United States and the stockholders as follows: The Federal Reserve Board shall determine as nearly as may be possible what proportion of such net earnings was derived from the issuance of Federal reserve notes and what proportion was derived from the rediscount, investment, and other banking activities of the Federal reserve bank. Such proportion of the remaining net earnings as are thus found to have been derived from the issuance of Federal reserve notes shall be paid over to the United States as a franchise tax, and the whole of the net earnings then remaining shall be distributed among the stockholders of such Federal reserve bank in proportion to the stock held with such Federal reserve bank by the respective stockholders since the last dividend."

71st CONGRESS) HOUSE OF REPRESENTATIVES (REPORT
2d Session) (No. 1909

EQUITABLE DISTRIBUTION OF EARNINGS OF FEDERAL RESERVE BANKS

June 14, 1930. - Committed to the Committee of the Whole House on the state of the Union and ordered to be printed

---

MR. STEAGALL, from the Committee on Banking and Currency, submitted the following

REPORT

(To accompany H. R. 10211)

The Committee on Banking and Currency, to whom was referred the bill (H. R. 10211) to provide for a more equitable distribution of the earnings of Federal reserve banks, having considered the same, report favorably thereon with the recommendation that the bill do pass without amendment.

The purpose of this bill is to secure a more equitable distribution of the earnings of Federal reserve banks. Under the law as it now exists a member bank is required to subscribe to the capital stock in a Federal reserve bank in an amount equal to 6 per cent of the capital stock of the member bank and to maintain balances equal to 7 per cent of the regular deposits and to 3 per cent of time deposits of such member banks. Federal reserve banks after paying stockholding member banks a dividend of 6 per cent annually on the stock held by them, are required to carry to their surplus fund all the remaining net profits until the surplus fund equals the subscribed capital, after which 90 per cent of all remaining net

profits must be paid into the Treasury of the United States as a franchise tax and the other 10 per cent applied to surplus. Member banks are allowed no other returns on their stock and balances than the 6 per cent dividend of stock held by them in Federal reserve banks.

Federal reserve banks have accumulated a surplus of $276,936,000 and have paid into the Federal Treasury as a franchise tax $147,109,573. In addition, Federal reserve banks have absorbed the initial costs incident to the inauguration of the system, including the expenditures incident to the vast building program which has been consummated. The total net profits of the Federal reserve banks up to January, 1930, are $515,215,983. From the standpoint of member banks and the communities served by them there is ample reason for the view that they are entitled to a larger share of the net profits of the Federal reserve banks than a mere cumulative 6 per cent dividend on the amount of stock held in the Federal reserve banks. Every dollar of the capital stock of Federal reserve banks is furnished by the member banks, and the great bulk of deposits held by Federal reserve banks is furnished by member banks. Treasury deposits are inconsequential in amount and temporary in character and are compensated for by the services rendered by Federal reserve banks as fiscal agents.

The profits of the Federal reserve banks are made almost entirely from transactions with their member banks. The bill provides that the Government shall receive as a franchise tax such profits as accrue through operations with the Government and that profits derived from operations with member banks shall be paid to member banks upon a basis of the stock held by them in Federal reserve banks. This is fair to the Government and fair

to member banks. It is simple justice and will in some measure afford relief to member banks in small communities where unit banks are struggling to serve the public and prosper, and will undoubtedly aid in checking the number of bank failures, with their demoralizing and unfortunate results.

The bill will remove in part dissatisfaction that exists toward the Federal reserve banks on the part of member banks and will unquestionably serve as an inducement to nonmember banks to join the Federal reserve system. It will make membership in the Federal reserve system more attractive to small and average-sized banks whose existence may depend upon the continued operation of the Federal reserve system which was created for the benefit of the independent banks of the country. The banks of the country need the Federal reserve system with its mobilization of reserve and rediscount facilities. It is a reservoir of credit essential to the safety and soundness of our banking institutions. It is essential to the success and safety of individual banks and the success of the Federal reserve system rests upon its member banks. The bill is designed to promote the interests of both the Federal reserve banks and their member banks.

In conformity with section 2a of Rule XIII of the House rules, there is herewith printed section 7 of the Federal reserve act as it will read with the amendment proposed in this bill, such amendment being printed in italics and the part stricken out in brackets, as follows:

Sec. 7. After all necessary expenses of a Federal reserve bank have been paid or provided for, the stockholders shall be entitled to receive an annual dividend of six per centum on the paid-in capital stock, which

dividend shall be cumulative. After the aforesaid dividend claims have been fully met, the net earnings shall be paid (to the United States as a franchise tax except that the whole of such net earnings, including those for the year ending December thirty-first, nineteen hundred and eighteen, shall be paid) into a surplus fund until it shall amount to one hundred per centum of the subscribed capital stock of such bank, and that thereafter ten per centum of such net earnings shall be paid into the surplus.

The remaining net earnings shall be divided between the United States and the stockholders as follows: The Federal Reserve Board shall determine as nearly as may be possible what proportion of such net earnings was derived from the issuance of Federal reserve notes and what proportion was derived from the rediscount, investment, and other banking activities of the Federal reserve bank. Such proportion of the remaining net earnings as are thus found to have been derived from the issuance of Federal reserve notes shall be paid over to the United States as a franchise tax, and the whole of the net earnings then remaining shall be distributed among the stockholders of such Federal reserve bank in proportion to the stock held with such Federal reserve bank by the respective stockholders since the last dividend.

The net earnings derived by the United States from Federal reserve banks shall, in the discretion of the Secretary, be used to supplement the gold reserve held against outstanding United States notes, or shall be applied to the reduction of the outstanding bonded indebtedness of the United States under regulations to be prescribed by the Secretary of the

Treasury. Should a Federal reserve bank be dissolved or go into liquidation, any surplus remaining, after the payment of all debts, dividend requirements as hereinbefore provided, and the par value of the stock, shall be paid to and become the property of the United States and shall be similarly applied.

Federal reserve banks, including the capital stock and surplus therein, and the income derived therefrom shall be exempt from Federal, State, and local taxation, except taxes upon real estate.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6641

June 25, 1930.

SUBJECT: Effect of Consolidation on Clayton Act Permits.

Dear Sir:

In a ruling published on page 28 of the Federal Reserve Bulletin for January, 1925, the Federal Reserve Board ruled with reference to consolidations of banks covered by Clayton Act permits as follows:

> "The Board holds that in any case where two or more banks consolidate under a statute, either Federal or State, which vests in the consolidated institution all the rights, franchises, or interests of the consolidating banks, the consolidated institution would, as a matter of law, have the right to the service of any director of any of the consolidating banks; in other words, that a director who is serving a bank by the permission of the Federal Reserve Board may, after his bank consolidates with another, continue to serve the consolidated institution if the statute under which the merger was effected gives to this institution all the rights, franchises, and interests of the constituent banks. The Board rules, therefore, that in such cases it will not require the director affected to make application to the Board for a new permit, but the director will be permitted, without any formality, to continue to serve the consolidated institution together with the other banks which he was serving before the consolidation took place."

The Board's ruling further provided, however, that in every such case the Federal Reserve Agent should consider and report to the Board with recommendation whether or not the situation existing as a result of the consolidation of the banks involved has so affected the question of competition between the banks upon which the director was serving as to make advisable the revocation of the permit formerly issued. When this ruling was issued the question whether the Federal Reserve Board should issue a permit

covering interlocking bank directorates under the provisions of the Clayton Act depended primarily on the question whether the banks involved were in substantial competition. Since this ruling was published, however, the Clayton Act has been amended so as to provide that such a permit may be issued if in the Board's judgment it is not incompatible with the public interest and may be revoked whenever the public interest requires its revocation. In view of this amendment, a Federal reserve agent when reporting to the Board whether or not a permit should be revoked on account of a consolidation, should consider, in addition to the question whether competition between the banks involved has been affected by the consolidation, whether in view of all the circumstances involved, the public interest requires the revocation of a permit. In this connection, particular consideration should be given to whether the consolidation will result in any restriction of credit or stifling of competition between the banks involved.

By Order of the Federal Reserve Board.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

TO ALL FEDERAL RESERVE AGENTS.

COPY

X-6643

IN THE DISTRICT COURT OF THE UNITED STATES

FOR THE NORTHERN DISTRICT OF GEORGIA,

ATLANTA DIVISION.

T. C. BOBBITT, et al
Plaintiffs

vs.

FEDERAL RESERVE BANK OF ATLANTA, et al.,
Defendants

No._____

In Equity.

The receiver of the First National Bank of Dublin refusing to sue, depositors of that bank have brought this suit against the Atlanta Federal Reserve Bank to recover from it certain collateral which it is claimed was unlawfully transferred by the officers of the Dublin bank to the Reserve Bank as security for indebtedness due the latter bank. The invalidity of the transfer is attributed to three causes. First that some of the collateral consisted of security deeds on real estate, and the transfers of the security deeds were not recorded prior to the failure of the Dublin bank, that some of the collateral was transferred by the officers of the Dublin bank after acts of insolvency of that bank and in contemplation of its insolvency, and for the purpose of preferring the Reserve Bank as a creditor, and lastly that the transfers were made upon a collusion or plan of the Dublin bank and the Reserve bank to defraud creditors of the former bank under common law principles. As to the last of these contentions there is no evidence whatever to support it, and no

serious contention is made that any such plan or collusion existed. As to the first I am of the opinion that there is no necessity to record the transfer of a security deed where the note which it secured is validly transferred to another. The security, in equity, follows the note regardless of whether any transfer, even, is executed, and the right of the parties can in no wise be worked out except by holding, certainly as against all except bona fide purchasers for value, that the title to the security goes with the note. The second contention gives the most trouble. I am of opinion that the Dublin bank was actually insolvent for a number of months before it closed, due to the fact that it had an immense amount of what are called "frozen" assets, consisting mainly of papers secured by land, the makers of which were insolvent and the land unsalable. The Federal Reserve Bank, in its connection with the Dublin bank appears, during the last three years of the Dublin bank's business, to have increased its credit allowance to it from a minimum of sixty-three thousand dollars to more than six hundred thousand. This was not done by specific loan transactions with specific security in each, but the accounts were run from day to day, embracing all transactions of loan or repayment between the banks, and all security taken was for the benefit of the entire account and of all indebtedness between the banks. The majority of the security held by the Reserve Bank were these frozen land loans. Their history dates back for several years. There was a conversion or substitution, apparently, of debtors, arranged by the incorporation of a holding company to take

these assets over, but the evidence satisfies me that all the time these securities were held by the Reserve Bank for its protection in its entire account, and that surrenders and changes were not for the purpose of final release, but only to change the form of the security. Whether this be true or not, the great majority of the most recent assignments of these securities run back from eight to twelve months prior to the failure of the bank, and cannot, under the evidence, be thought to have been made in contemplation of insolvency and with the purpose of preferring the Reserve Bank. Indeed the entire history of the Dublin bank indicates a purpose on the part of its officers to sustain and maintain, rather than to allow it to go into insolvency. They put in additional money themselves, and their transactions with the Reserve Bank all were to the end of obtaining additional advances rather than the preferring and securing of old ones. It appears that during the last month of the Dublin bank's existence its indebtedness to the Reserve Bank was allowed to grow about thirty-one thousand dollars and in the last three months the additional advances aggregated some hundred and forty thousand dollars. Even if the most recent transfers of collateral be confined but to the security of these most recent advances, and they were certainly valid to that extent at least, it does not appear that these recent advances have in any manner been repaid so as to release the collateral and raise the question as to whether any of it could be retained for prior indebtedness. As I understand the evidence, this collateral has all been realized upon at a valid sale pending this suit, in which the Reserve Bank bid not simply

to bid over other bidders, but bid its real value as it believed it to be, and its real value thus generously bid was entirely insufficient to repay these recent advances from the recent collateral even if the thirty thousand dollars in bonds be considered as worth their face, and realized upon. Looking through the entire transaction I do not see any reason to doubt that the Reserve Bank is validly secured by all the collateral that it holds and that no return of collateral will be due until a realization of its debt. Any accounting for the collateral based on this sort of settlement of course remains with the receiver, and is not involved in the present suit. The judgment in the present suit must be that none of the collateral appears to have been transferred contrary to law or to be invalid for any reason to secure any indebtedness to the Reserve Bank, and a decree may be taken accordingly.

This June 5th, 1930.

U. S. Judge

BAKER, HOSTETLER & SIDLO
COUNSELLORS AT LAW
UNION TRUST BUILDING
CLEVELAND

June 25, 1930.

Federal Reserve Board
Treasury Building
Washington, D. C.

Gentlemen:

I have before me a memorandum from Mr. Walter Wyatt, General Counsel of the Federal Reserve Board, recommending the adoption of certain amendments to Regulation J formulated by the recent Conference of Counsel of Federal reserve banks, and containing certain minor changes of words and punctuation in the interest of clarity made by Mr. Wyatt and me.

During the course of the case of Thomas A. Early, Receiver, v. Federal Reserve Bank of Richmond, I was kept in touch with the issues presented by it and heard the final argument in the Supreme Court of the United States. When the case was decided, I read and analyzed the opinion of the court and became convinced that the decision presented possibilities of grave liability on the part of the Federal reserve banks. When Mr. Wyatt communicated to me your wish that I should sit in with the Conference of Counsel called to consider the questions raised by the Early decision and possible ways of meeting them, I devoted some time to a further and more detailed examination of the questions. Unfortunately other engagements which I could not control made it impossible for me to be present while the Conference of Counsel considered the subject, but I did go to Washington the day after the Conference adjourned and had an opportunity to confer at large with Mr. Wyatt and a number of Federal reserve bank counsel who had remained over. I had previously had supplied to me and studied all letters and memoranda which had been written prior to the Conference and exchanged between Mr. Wyatt's office and the offices of the several Federal reserve bank counsel.

The memorandum of Mr. Wyatt fully and accurately expresses my opinion and I concur in it and in all the recommendations it makes.

It would serve no useful purpose for me to restate the difficulties created by the decision in the Early case as they have been considered by the Board as sufficiently serious to justify the calling of the Conference of Counsel, but I think I should state to the Board that in my opinion the earliest action the Board can take upon these recommendations, consistent with their full consideration, is important. It may be that Board will feel it is already sufficiently advised of the views of the several Federal reserve banks to act without a further reference of the matter to them. If that be not the case, the Federal reserve banks would undoubtedly be

prepared to express their views promptly, as the counsel for the several banks have given this matter very thorough consideration and can lay all of the facts before the officers of the banks without delay. The dangers for the Federal reserve banks created by the decision in the Early case are increasing at this time when banking and business difficulties are common, and the likelihood of efforts to cover losses by imposing liabilities on the Federal reserve banks by applications of the doctrine of this case is manifestly great.

The concurrence I have expressed in the recommendations made in Mr. Wyatt's memorandum, of course, deals primarily with amendments to Regulation J addressed to the difficulties arising from the decision in the Early case. I have, however, also examined the other recommendations and have discussed their purpose and concur in their aptness and desirability.

Respectfully submitted,

Newton D. Baker

NDB:C

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6645

June 27, 1930.

SUBJECT: Proposed amendments to Regulation J recommended by Conference of Counsel.

Dear Sir:

A Conference of Counsel of all Federal reserve banks, at which one or more legal representatives of each Federal reserve bank and four members of the Standing Committee on Collections were present, was held in Washington on June 9 and 10, 1930, for the purpose of considering the effect of the decision of the Supreme Court of the United States in the case of Thomas A. Early, Receiver, v. Federal Reserve Bank of Richmond, what amendments to Regulation J, if any, should be adopted in the light of this decision and what other steps, if any, should be taken to diminish the chances of litigation and to protect the Federal reserve banks against the assumption of unwarranted liabilities as a result of the Supreme Court's decision in that case.

With the representative of only one bank dissenting, the Conference of Counsel recommended certain amendments to Regulation J, and these recommendations have been concurred in by the Board's General Counsel and by Hon. Newton D. Baker, who was retained by the Board in order that he might give the Board the benefit of his views on the important questions raised by these recommendations. Hon. Newton D. Baker and the Board's General Counsel both recommend that these amendments be adopted at the earliest possible date. Before adopting the amendments, however, the Board desires to have the views of the Chairmen and Governors of the Federal reserve banks with reference thereto.

There are enclosed for your information:

(1) 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;

(2) A copy of a memorandum addressed to the Board by its General Counsel under date of May 2, 1930, pointing out the dangers of this decision and recommending that a Conference of Counsel be called to consider it;

(3) A copy of the Record of the Proceedings of the Conference of Counsel, recommending the adoption of certain amendments to Regulation J;

(4) A copy of a memorandum addressed to the Board under date of June 27 by the Board's General Counsel explaining the purpose and effect of each of these proposed amendments and recommending that they be adopted with certain changes in phraseology;

(5) A letter addressed to the Board by Hon. Newton D. Baker under date of June 25, 1930, concurring in the recommendations made by the Board's General Counsel and pointing out the importance of adopting these amendments to Regulation J as soon as possible; and

(6) A print showing the exact changes in the text of Regulation J, which would be made by the proposed amendments.

The representatives of your bank who attended the Conference of Counsel can give you any further information on this subject which you may desire, and it is suggested that you confer with them.

You are requested to forward to the Board at your earliest convenience a letter containing any comments or suggestions which you desire to submit with reference to these proposed amendments, in order that the Board may take final action thereon at the earliest possible date.

By Order of the Federal Reserve Board.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

Enclosures.

TO Chairmen and Governors of all
Federal Reserve Banks.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6646

June 27, 1930.

SUBJECT: Condition of Membership re Purchase of Bank Stocks.

Dear Sir:

For some time past the Federal Reserve Board has had under consideration the advisability of a revision of condition of membership No. 3 contained in Section IV of Regulation "H", which at present requires the Board's permission before any stock of banks or trust companies may be purchased by a member bank subject to the condition. The condition as it stands has caused some irritation among member banks by reason of the fact that they must apply to the Board for permission to purchase small amounts of bank stocks, and the Board would like to relieve the member banks of this irritation as well as itself of the seemingly unnecessary burden of acting upon such applications.

It appears desirable, however, that in the revision of the condition of membership some measure of control should be retained over the development of group or chain banking in member banks, and there has been prepared for consideration by the Board a revision of the condition which would prohibit a member bank from acquiring, except with the Board's permission, a controlling interest in any other bank or trust company and also prohibit investment by a member bank, subject to the condition, of more than a stated proportion of its own capital and surplus in stocks of other banks or trust companies generally. This proposed revision reads:

> "(3) Such bank or trust company, except after applying for and receiving the permission of the Federal Reserve Board, shall not acquire more than 50 per cent of the capital stock of any other bank or trust company; and, except with the Board's permission, its total investments in the stock of other banks and trust companies shall not exceed 20 per cent of its own capital stock and surplus."

While technically a controlling interest of a corporation is any amount of stock in excess of 50% of its capital

stock, as a practical matter a corporation may in many instances be actually controlled by the ownership of less than 50% of its capital stock and it may, therefore, be desirable to require permission of the Board prior to the purchase of stock in another bank to an extent less than 50% of the capital stock of that bank, i. e., 25%, 20% or even 15%. In this connection, the condition of membership which is now being revised, as it appeared in the Board's Regulation "H", Series of 1924, placed this limitation at 20%. Furthermore, the lower limitation would meet another purpose of the proposed revision of the condition in that it would relieve member banks of the necessity of applying for permission to purchase small amounts of stock in other institutions.

Before taking action in the matter, the Board would appreciate receiving from you an expression of your views as to the advisability of revising the condition of membership, and if you think a change is desirable, as to at what percentage the limitation on the purchase of stock of other banks, without the Board's permission, should be placed. It would also like to have your reaction to the proposed limitation on the aggregate amount of its own capital and surplus which a member bank, subject to the condition, may invest in stock of other institutions.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

TO ALL GOVERNORS AND FEDERAL RESERVE AGENTS.

FEDERAL RESERVE BOARD

WASHINGTON

X-6647

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

June 27, 1930.

Subject: Amendments to Federal Reserve Act and National Bank Act.

Dear Sir:

There are enclosed herewith for your information certain amendments to the Federal Reserve Act and the National Bank Act. These amendments were only recently approved by the President and copies of the amendments as printed in the form of a Public Act are not yet available. I am, however, enclosing mimeographed copies of the bills as they passed the Senate and House and were approved by the President. These amendments are as follows:

On the 26th day of June, 1930, the President approved the bill S. 4096 amending Section 4 of the Federal Reserve Act with reference to the election of directors of Federal reserve banks;

On the 26th day of June, 1930, the President approved the bill S. 3627 amending Section 11(k) of the Federal Reserve Act so as to authorize national banks under certain circumstances to surrender their right to exercise trust powers;

On the 26th day of June, 1930, the President approved the bill S. 485, amending the seventh paragraph of Section 9 of the Federal Reserve Act and Section 5240 of the United States Revised Statutes with reference to the assessment of costs of examinations against member banks.

On the 25th day of June, 1930, the President approved the bill S. 486, amending Section 5153 of the United States Revised Statutes so as to authorize national banks to give security for the safe keeping of deposits of the public money of a State or a political subdivision thereof.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

Enclosures.

To Governors and Chairmen of all Federal reserve banks.

S. 4096

AN ACT

To amend section 4 of the Federal Reserve Act.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 4 of the Federal Reserve Act, as amended (U. S. C., title 12, sec. 304), be further amended by striking out that paragraph thereof which reads as follows:

"Any candidate having a majority of all votes cast in the column of first choice shall be declared elected. If no candidate have a majority of all the votes in the first column, then there shall be added together the votes cast by the electors for such candidates in the second column and the votes cast for the several candidates in the first column. If any candidate then have a majority of the electors voting, by adding together the first and second choices, he shall be declared elected. If no candidate have a majority of electors voting when the first and second choices shall have been added, then the votes cast in the third column for other choices shall be added together in like manner, and the candidate then having the highest number of votes shall be declared elected. An immediate report of election shall be declared."

and by inserting in lieu thereof the following:

"Any candidate having a majority of all votes cast in the column of first choice shall be declared elected. If no candidate have a majority of all the votes in the first column, then there shall be added together the votes cast by the electors for such candidates in the second column and the votes cast for the several candidates in the first column.

The candidate then having a majority of the electors voting and the highest number of combined votes shall be declared elected. If no candidate have a majority of electors voting and the highest number of votes when the first and second choices shall have been added, then the votes cast in the third column for other choices shall be added together in like manner, and the candidate then having the highest number of votes shall be declared elected. An immediate report of election shall be declared."

S. 3627

AN ACT

To amend the Federal Reserve Act so as to enable national banks voluntarily to surrender the right to exercise trust powers and to relieve themselves of the necessity of complying with the laws governing banks exercising such powers, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subsection (k) of section 11 of the Federal Reserve Act (subsection (k) of section 248, United States Code, title 12), as amended, be further amended by adding at the end thereof a new paragraph reading as follows:

"Any national banking association desiring to surrender its right to exercise the powers granted under this subsection, in order to relieve itself from the necessity of complying with the requirements of this subsection, or to have returned to it any securities which it may have deposited with the State authorities for the protection of private or court trusts, or for any other purpose, may file with the Federal Reserve Board a certified copy of a resolution of its board of directors signifying such desire. Upon receipt of such a resolution, the Federal Reserve Board, after satisfying itself that such bank has been relieved in accordance with State law of all duties as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics or other fiduciary, under court, private, or other appointments previously accepted under authority of this subsection, may, in its discretion, issue to such bank a certificate

certifying that such bank is no longer authorized to exercise the powers granted by this subsection. Upon the issuance of such a certificate by the Federal Reserve Board, such bank (1) shall no longer be subject to the provisions of this subsection or the regulations of the Federal Reserve Board made pursuant thereto, (2) shall be entitled to have returned to it any securities which it may have deposited with the State authorities for the protection of private or court trusts, and (3) shall not exercise thereafter any of the powers granted by this subsection without first applying for and obtaining a new permit to exercise such powers pursuant to the provisions of this subsection. The Federal Reserve Board is authorized and empowered to promulgate such regulations as it may deem necessary to enforce compliance with the provisions of this subsection and the proper exercise of the powers granted therein."

S. 485

AN ACT

To amend section 9 of the Federal Reserve Act and section 5240 of the Revised Statutes of the United States, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

That the seventh paragraph of section 9 of the Federal Reserve Act, as amended (U. S. C., title 12, sec. 326), is further amended by striking out the last sentence thereof and inserting the following:

"The expenses of all examinations, other than those made by State authorities, may, in the discretion of the Federal Reserve Board, be assessed against the banks examined and, when so assessed, shall be paid by the banks examined. Copies of the reports of such examinations may, in the discretion of the Federal Reserve Board, be furnished to the State authorities having supervision of such banks, to officers, directors, or receivers of such banks, and to any other proper persons."

SEC. 2. That section 5240, United States Revised Statutes, as amended by section 21 of the Federal Reserve Act, is further amended in the third paragraph thereof (U. S. C., title 12, sec. 483) by striking out the second sentence of such paragraph and inserting in lieu thereof the following:

"The expense of such examinations may, in the discretion of the Federal Reserve Board, be assessed against the banks examined, and, when so assessed, shall be paid by the banks examined."

S. 486

AN ACT

To amend section 5153 of the Revised Statutes, as amended.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

That section 5153 of the Revised Statutes, as amended (United States Code, title 12, section 90), is amended by adding at the end thereof a new paragraph to read as follows:

"Any association may, upon the deposit with it of public money of a State or any political subdivision thereof, give security for the safe-keeping and prompt payment of the money so deposited, of the same kind as is authorized by the law of the State in which such association is located in the case of other banking institutions in the State."

X-6648

STATEMENT OF BUREAU OF ENGRAVING AND PRINTING

Federal Reserve Notes, Series 1928.

June 2 to 5, 1930.

	$5	$10	$20	Total Sheets	Amount
Boston	-	8,000	-	8,000	$ 716.00
New York	39,000	-	52,000	91,000	8,144.50
Cleveland	-	-	30,000	30,000	2,685.00
Chicago	270,000	6,000	68,000	344,000	30,788.00
Dallas	-	9,000	-	9,000	805.50
San Francisco	-	28,000	-	28,000	2,506.00
	309,000	51,000	150,000	510,000	$45,645.00

510,000 sheets @ $89.50 per M, ... ,$45,645.00.

Credit appropriations, 1930, as follows:

Comp. of Emp.,	B.E.& P.	$24,072.00
Plate Printing,	B.E.& P.	10,393.80
Mis. & Misc. Exp.,	B.E.& P.	11,179.20

FEDERAL RESERVE BOARD

January 3, 1930
St. 6440.

For immediate release

STATEMENT FOR THE PRESS

Gross earnings of the twelve Federal reserve banks for 1929 amounted to $70,955,000 or about $6,900,000 more than for 1928, and current expenses to $29,690,000 or about $2,785,000 more than for 1928. After providing the necessary reserves for depreciation, losses, etc., the Federal reserve banks had net earnings of $36,403,000. Of this amount $9,584,000 was paid as dividends to member banks, $4,283,230.96 was paid to the United States Treasury as a franchise tax and the remaining $22,536,000 was transferred to surplus account. Seven Federal reserve banks - Richmond, Atlanta, Chicago, St. Louis, Minneapolis Kansas City, and Dallas - paid a franchise tax to the United States Treasury. All net earnings of the five other reserve banks remaining after the payment of dividends were transferred to their surplus accounts as required by law, the surplus accounts of none of these banks at the end of the year being in excess of subscribed capital. The total subscribed capital of the twelve Federal reserve banks on January 1, 1930, amounted to $341,951,000, and total surplus to $276,934,000.

Full details as to the disposition of the gross earnings of each Federal reserve bank will appear in the forthcoming annual report of the Federal Reserve Board.

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

January 6, 1930
St. 6441

SUBJECT: Functional Expense Reports.

Dear Sir:

In response to the Board's letter of February 5, 1929, St. 6082, certain questions in connection with functional expense reports have been submitted by the banks and others have been brought to the Board's attention by its examining force which has recently been devoting some time to functional expense matters. These questions are listed in the attached statement and it will be appreciated if you will kindly give the Board your views with regard to each of them.

Very truly yours,

E. L. Smead, Chief,
Division of Bank Operations.

Enclosure

TO GOVERNOR OF EACH FEDERAL RESERVE BANK*

INQUIRIES RECEIVED BY BOARD DURING SIX MONTHS ENDED DECEMBER 31, 1929, REGARDING PREPARATION OF FUNCTIONAL EXPENSE REPORTS

CHECK COLLECTION FUNCTION

1. What expense unit should be charged with the time spent by transit employees in enclosing cash letters in envelopes and in sealing and mailing them?

2. Are the receiving of counter deposits of checks and the gathering of deposits of checks from local city banks "mail" operations chargeable to the Mail unit, or are they "receiving" operations which, under the Manual of Instructions are chargeable to the several units of the Check Collection function?

3. Incoming cash letters are delivered to the Check department in one of the following ways: (1) Unopened, (2) Opened but not removed from envelopes, (3) Opened and removed from envelopes, and (4) Opened, removed from envelopes, and sorted in several principal divisions as, for example, City, Country, Letters from member banks in own district, and Letters from other Federal reserve banks and branches.

   What part of the cost of these operations should be charged to the Mail unit?

4. When member banks, which have been given direct sending privileges, deposit their direct sendings with the reserve bank for mailing and the reserve bank performs certain proving and balancing operations, in what unit should the expense of this work and the number of cash letters so handled be reported?

5. Since some of the Federal reserve banks are not subject to clearing-house dues and fines while others are and since such expenses are largely outside the control of the Federal reserve banks, would it not be preferable to eliminate them in calculating the cost per unit shown in form E and the Board's exhibit?

6. Should the number of return items reported on page 17 of form E include only those for which debit tickets are prepared, or should it include missents, items returned to the reserve bank for missing endorsements which the reserve bank can supply, and items returned for other reasons which the reserve bank can remedy without returning them to prior endorsers?

7. Should the item "Checks on this bank" shown on page 17 of form E include certain advice types of remittances, as for example, authority to charge reserve account, as well as ordinary drafts on reserve account?

8. Should items drawn on non-par banks which are handled by the Country Checks unit, until they are delivered to the Return Items unit, be included in the volume figures of both the Country Checks and the Return Items unit?

9. Manual of Instructions, page D-4, states that "where items are received in bundles and totals of bundles only are listed, the bundle should be counted as one item under the respective units." It has been estimated that it takes from five to ten times as long to handle a bundle as it does an individual item. Should the manual be changed to give adequate credit for the handling of bundles and, if so, how?

10. How should the time of a so-called "control clerk," who arrives at control figures for the several units of the Check Collection department, be charged?

11. When the check department arrives at certain totals for the various ledger sections of the accounting department or sorts incoming cash letters to ledger sections, where is the time so spent charged?

12. Manual of Instructions, page D-5, states that where "checks on this bank" are received in a unit of the Check Collection function, they should be included in the volume figures for that unit and the volume figures reported against the item "checks on this bank" correspondingly reduced. Are "checks on this bank" received in your Government Checks unit and, if so, how are they reported?

13. Should the Manual of Instructions be revised to require checks drawn on banks outside the Federal reserve bank or branch city, but which are collected through suburban clearing arrangements, to be included in the City Checks-Clearings unit, and checks collected by messengers in the City Checks-Other than Clearings unit?

CURRENCY AND COIN FUNCTION

14. Manual of Instructions, page D-3, states that money received from branches or head office should not be included in the item count of the number of pieces of currency received and counted. Is fit money received from branches and agencies given an actual bill count, and if so, should the instructions be changed so that credit will be given for this work?

15. Manual of Instructions, page B-30, indicates that custody of currency is one of the operations chargeable to the "All Other" unit of the Currency and Coin function. Do you interpret the word custody as here used to include the custody of currency while it is "on the floor," for example, in the hands of currency tellers who pass out and receive currency to and from the currency assorters, or only the custody of currency in the vault?

16. Should all weldfasting and tieing operations of money, after it has been received from the assorters but before it has been placed in the vault for permanent storage, be charged to the Receiving and Sorting unit or to the All Other unit?

17. Where the volume of minor coin received is such as to make it impracticable to count it because the expense of counting would be greater than charges for any differences which might arise, and such coin is paid out without being counted, should the number of such coins be included in the number of items handled as reported on page 17 of form 2?

18. Would it be desirable to change the caption of the Currency-All Other unit to read "Paying and Redemption" and to obtain volume figures showing the number of bills forwarded for redemption and number of bills paid out?

GENERAL

19. What expense unit is charged with the cost of preparing form 95?

20. Do your member banks, in sending non-cash items direct to Federal reserve banks in other districts for collection and credit at your bank, advise you of such sendings? Do you include the number of direct sent non-cash items or the payments therefor in your volume of work figures? If so, state where they are included and in what expense unit the work is handled.

21. Manual of Instructions, page B-41, indicates that "work in connection with the handling of all collections with negotiable securities attached" should be included in the Coupon Collections (except Government) unit. Should not drafts with securities attached drawn on offices located in the reserve bank city be included in the Non-cash City Collections unit?

22. Where are foreign loans on gold and investments through foreign banks handled and to what expense unit is the cost charged?

23. Notarial work at some of the reserve banks is handled by outside notaries while at other banks it is handled by notaries who are also employees of the bank. If notaries handling the notarial work of your bank are also employees of the bank, where is the time devoted to notarial work charged in functional expense reports?

24. General Instructions, page 2, state that "if any printed form or other supplies being carried in Stock of Supplies account becomes obsolete, any balance remaining on hand not previously charged to the expense unit for which the supply was originally ordered should then be charged to such expense unit either at its cost price or at the difference between its cost price and its scrap value, if any."

Where should forms or other supplies not purchased for any particular unit be charged when such forms or other supplies become obsolete while being carried in Stock of Supplies?

25. Should the Manual of Instructions be revised to provide that all expenses connected with the training of employees in the banks' training classes be charged to the unit for which employees are being trained instead of to the Educational and Training unit of the Provision of Personnel function?

26. Where the cost of a given operation in your bank is allocated to an expense unit other than that in which the work is handled, how do you determine the cost to be allocated? If by periodical time studies, how frequently are such studies made?

27. Should the Manual of Instructions be revised to require the cost of actual bank examinations or credit investigations to be shown separately from the cost of other work now charged to the Examination function? If so, please indicate the changes in the Manual you would suggest to bring this about.

28. Is it desirable that the Manual of Instructions be revised to provide that salaries of department heads should be allocated entirely to expense units other than Administration?

29. Where should the cost of cash-letter forms furnished direct-sending banks be charged?

St. 6441d

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

January 7, 1930.
St. 6442.

Dear Sir:

There is enclosed herewith a list of member and nonmember banks reported to the Board as having suspended operations during the month of December and of banks previously suspended which resumed business during the same month. The statement also includes any corrections made in the lists previously sent to you. It will be appreciated if you will kindly check the data pertaining to your district against your records and advise the Board as soon as practicable whether or not any corrections or additions are necessary therein.

According to our records, the number of bank suspensions and the number of suspended banks reopened during the year 1929, in each state in your district, was as follows:

	Banks Suspended					
State	National	State Mem.	Nonmember	Private	Total	Banks Reopened

It will be appreciated if you will kindly have the above figures checked against your records and advise us whether or not they are in agreement therewith. In notifying us of differences, kindly give the names and locations, etc., of the banks which should be added or eliminated. The names of the banks included in the above statement may be ascertained by referring to the lists of bank suspensions furnished to you for checking purposes each month, as the above figures are based on the monthly statements after taking into consideration the corrections therein which are regularly shown on the last page of the statements.

Very truly yours,

E. L. Smead, Chief,
Division of Bank Operations.

Enclosure

LETTER TO ALL FEDERAL RESERVE AGENTS*

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

January 10, 1930
St. 6452

SUBJECT: Excess Reserves and "Free Gold."

Dear Sir:

For some time past the Board's Division of Bank Operations has been compiling figures of excess reserves and of "free gold" for each Federal reserve bank and for the System as a whole. Excess reserves, as you know, are determined by deducting from total cash reserves the 35 per cent reserve required against deposits plus the 40 per cent reserve required against Federal reserve notes in circulation. "Free gold," as distinguished from excess reserves, is obtained by deducting from excess reserves the amount (if any) by which gold required as collateral against outstanding notes and for the gold redemption fund exceeds the required 40 per cent note reserve.

Inasmuch as practically all of the Federal reserve banks now find it necessary to deposit more gold as collateral against Federal reserve notes issued to them than is required as reserve against notes in circulation, it is apparent that any change in the amount of Federal reserve notes which the banks carry in their cash will ordinarily result in a similar change in the amount of gold collateral required and will affect the free gold figure correspondingly. As an example of such changes, on October 30 the Federal reserve banks and branches held $449,000,000 of Federal reserve notes, whereas on December 18 they held $575,000,000, an increase for the period of $126,000,000 which resulted in a corresponding reduction in the amount of free gold. The fluctuation in the amount of Federal reserve notes held by the Federal reserve banks is at times quite material even from week to week, the amount held on December 24 being $58,000,000 less than the week before.

For statistical purposes, therefore, the Board would like to have you estimate the average minimum amount of Federal reserve notes which would have to be carried in the cash holdings of your head office and each branch to insure the efficient operation of the cash department. In furnishing such figures please state separately: (1) the amount of notes needed to meet currency shipments and over the counter payments, and (2) the average amount of

notes you are compelled to carry temporarily while they are being counted and sorted. Do not include in these estimates either unfit notes in transit to the Treasury from your bank or notes of your bank in transit from other Federal reserve banks to the Treasury or to your bank.

In furnishing the Board with the above figures, will you also be good enough to state whether in your opinion it would be practicable, if for any reason the System's gold holdings should decline materially, for the Federal reserve banks and branches to operate without carrying any Federal reserve notes in their own cash, apart from notes being sorted or in transit. This would mean, of course, that a Federal reserve bank would have to obtain currency from the agent whenever it made payments of Federal reserve notes. This would be a radical departure from present practice, but the Board is interested in knowing whether such a plan would seriously interfere with the smooth operation of the cash department.

Very truly yours,

Roy A. Young,
Governor.

TO GOVERNOR OF EACH FEDERAL RESERVE BANK*

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

January 14, 1930.
St. 6454.

SUBJECT: Corrections in Weekly Statements.

Dear Sir:

For your information, and in order that correct comparative figures may be published in the consolidated weekly condition statement of the Federal reserve banks for 1930, if issued at your bank, there are shown below all corrections made in the weekly Federal reserve bank press statements issued during 1929, which were received too late to be shown in the comparative column of the following week's statement:

		CHANGED	
		From	To
		(In thousands of dollars)	
January 30 -	All other resources	8,811	8,611
	Total resources	5,093,730	5,093,530
	All other liabilities	16,696	16,496
	Total liabilities	5,093,730	5,093,530
July 17 -	Gold and gold certificates held by banks	744,773	745,073
	Total gold reserves	2,929,576	2,929,876
	Reserves other than gold	168,100	167,800
August 7 -	Bonds	41,886	42,659
	Treasury notes	94,955	94,182
December 18-	Bonds	68,818	68,664
	Treasury notes	198,794	198,948

Very truly yours,

E. L. Smead, Chief,
Division of Bank Operations.

TO ALL FEDERAL RESERVE AGENTS*

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

January 15, 1930.
St. 6457.

SUBJECT: Revision of Form 44a.

Dear Sir:

Enclosed herewith is a stock of revised Form 44a, classification of money held by the Federal reserve bank and of gold held by the Federal reserve agent on the last day of the month.

It will be noted that the only changes in the form are in the gold holdings of the Federal reserve agent, the item "Gold Redemption Fund - U. S. Treasurer" having been omitted and the item "Foreign Gold Bars" added.

Very truly yours,

E. L. Smead, Chief,
Division of Bank Operations.

TO ALL GOVERNORS*

FEDERAL RESERVE BOARD

WASHINGTON

January 17, 1930.
St. 6462.

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

SUBJECT: Debits to Individual Accounts.

Dear Sir:

In compiling monthly figures of debits to individual accounts from weekly reports received in 1930, the figures for each city for those weeks which do not fall entirely within a given month will, as in the past, be prorated on the basis of actual business days. By reference to data available at the Board's offices we find that the report weeks in 1930 which begin in one month and end in another, i.e., the report weeks for which the figures must be prorated between two months, contain the following days observed as holidays in the states specified:

JANUARY 1,1930 - All states and the District of Columbia
MARCH 3 - Texas; MARCH 4 - Alabama, Florida, and Louisiana (counties of Orleans, St. Bernard, Jefferson, St. Charles and St. John the Baptist)
MAY 30 - District of Columbia and all states except Alabama, Arkansas, Georgia, Louisiana, Mississippi, North Carolina, South Carolina
JUNE 3 - Alabama, Florida, Georgia, Louisiana, Mississippi, South Carolina, Tennessee, Texas, Virginia.
AUGUST 1 - Colorado; AUGUST 5 - Missouri, Oklahoma, West Virginia
SEPTEMBER 1 - All states and the District of Columbia; SEPTEMBER 2 - Nevada, Wisconsin.
OCTOBER 31 - Nevada
NOVEMBER 1 - Louisiana; NOVEMBER 4 - Arizona, California, Colorado, Delaware, Florida, Idaho, Illinois, Indiana, Maryland, Michigan, Minnesota, Missouri, Nevada, New Hampshire, New Jersey, New York, North Carolina, North Dakota, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Dakota, Tennessee, Texas, Virginia, Washington, West Virginia, Wisconsin, Wyoming; NOVEMBER 27 - All states and the District of Columbia.
JANUARY 1, 1931 - All states and the District of Columbia

In case the above list is not correct for any of the states in your district or there are any additional holidays observed locally by cities for which debits figures are published by the Board, it will be appreciated if you will furnish the Board with a corrected list at your early convenience.

Very truly yours,

E. L. Smead, Chief,
Division of Bank Operations.

LETTER TO ALL FEDERAL RESERVE AGENTS*

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

January 24, 1930
St. 6470

SUBJECT: Paper Eligible for Rediscount
with Federal Reserve Banks

Dear Sir:

Since October 3, 1928, all member banks have been required to report the amount of loans eligible for rediscount with Federal reserve banks against item 9 in schedule E of the quarterly call report. These figures have been abstracted by the Board and by the Comptroller of the Currency and are now published regularly in the consolidated Member Bank Call Report.

While the published figures show that there is about $4,600,000,000 of eligible paper held by all member banks, no adequate data are available to show the distribution of eligible paper among individual banks or groups of banks in the various sections of the country. The Board believes it desirable to compile such information, also similar information regarding U. S. Government securities which can be used as collateral to member banks' promissory notes. It will therefore be appreciated if you will have compiled and transmitted to the Board the data called for by the accompanying sample form, for each member bank in your district, from the December 31, 1929 call reports.

In order that the information may be tabulated conveniently by states in accordance with certain percentage groupings, it is requested that the figures for each bank be submitted on a separate card, preferably of a size about 4"x 6". In compiling these data it is suggested that, if the amount of eligible paper as reported against item 9 in schedule E is apparently incorrect, the member bank be asked to correct or confirm the figures.

Very truly yours,

Roy A. Young,
Governor

Enclosure

TO ALL F. R. AGENTS*

(Sample form)

F.R.DISTRICT ____ STATE _____

CITY _____ BANK _____

(Amounts in thousands of dollars)

A. Loans, including overdrafts (call report items 1-2)	7,496
B. Loans and investments (call report items 1-4)	10,053
C. Government securities less National bank notes outstanding (call report item 3, less item 20 for National banks)	750
D. Eligible paper (call report item 9 of schedule E)	1,236
E. Eligible paper plus Government securities - net (D + C)	1,986
F. Ratio of eligible paper to total loans	16.5%
G. Ratio of eligible paper, plus Government securities - net, to loans and investments	19.8%

St. 6470

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

March 13, 1930
St. 6520

SUBJECT: Condition Reports of State Bank Members, Form 105.

Dear Sir:

There are being forwarded to you today under separate cover copies of form 105. Kindly hold the blank forms at your bank until receipt of telegraphic notice from the Board, whereupon three copies should be mailed to each state bank and trust company member with the request that the forms be held pending receipt of a call for condition reports. Upon receipt of notice from the Board of the call for condition reports, kindly notify the banks thereof by mail and request them to fill out the reports and mail them to you promptly - in no case later than 10 days after receipt of the call.

On examining the form you will note the following changes: Item 4, "Loans to banks and trust companies," of Schedule E has been divided so as to show separately (a) Loans on securities, and (b) All other loans. Item 5 of Schedule E has been changed to read "Loans on securities (i.e., loans secured by U. S. Government securities and securities of the kinds listed in Schedule G) - EXCLUSIVE of such loans to banks (item 4a above)." In memorandum item 9 below Schedule E the words "including paper now under rediscount, if any" have been inserted following the word "Bank." In Schedule F Item 4, "All other," has been changed to "Treasury bills." The memorandum item following Schedule L, "Amount of demand and time deposits included in Schedules K and L due to depositors (other than banks) domiciled in foreign countries," has been eliminated.

The reports should as usual be examined and checked before being forwarded to the Board, in accordance with the procedure previously outlined.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

TO ALL FEDERAL RESERVE AGENTS*

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

April 7, 1930
St. 6550

SUBJECT: Functional Expense Reports.

Dear Sir:

Replies to our letter St. 6441 of January 6, submitting certain questions in connection with functional expense reports, have been tabulated and we are enclosing herewith a mimeographed report, St. 6507, giving the consensus of opinion of the Federal reserve banks on each of the 29 questions.

As a result of the changes which have been made from time to time during the past few years in the Manual of Instructions governing the preparation of reports on Form E it seemed desirable to have the whole Manual reviewed at this time. Accordingly we shall appreciate advice as to how many copies your bank will need of the revised Manual, which is now being mimeographed.

The functional expense report, form E, is in the hands of the printer and a supply of the forms will be furnished your bank at an early date.

Very truly yours,

E. L. Smead, Chief,
Division of Bank Operations.

Enclosures

TO GOVERNORS OF ALL F. R. BANKS

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

April 9, 1930
St. 6552-a

SUBJECT: Monthly report of charges to Profit and Loss Account.

Dear Sir:

It will be appreciated if, beginning with the month of April, you will furnish the Board as of the last day of each month, except December, with a condensed statement on Form 6552 (a copy of which is enclosed herewith) covering debits and credits to profit and loss account. In view of the fact that these monthly reports will furnish such information as is needed by the Board in regard to income and expenses connected with "other real estate," reports now being furnished on form 97 may be discontinued.

A supply of Form 6552 is being forwarded under separate cover.

Very truly yours,

E. L. Smead, Chief,
Division of Bank Operations.

TO ALL GOVERNORS*

FEDERAL RESERVE BOARD
FORM St. 6552
(Apr. 1930)

DEBITS AND CREDITS TO PROFIT AND LOSS ACCOUNT
INCLUDING INCOME AND EXPENSE, "OTHER REAL ESTATE"

Federal Reserve Bank of _____

For the Month of _____ 193_

	Total for month	Total since January 1
Credits to Profit and Loss		
Debits to Profit and Loss		

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

April 23, 1930.
St. 6569.

SUBJECT: Federal Reserve Bank
and branch territory.

Dear Sir:

As stated in our letter of February 25, 1930, we have compiled statements showing the original territory included in each Federal reserve district and in each Federal reserve branch zone, subsequent changes in such territory, and the territory in each district and branch zone on December 31, 1929.

A copy of each of these statements, St. 6489 and St. 6489a, revised in accordance with advices received from the Federal reserve agents, is enclosed herewith for your information.

Very truly yours,

J. C. Noell,
Assistant Secretary.

Enclosures.

TO ALL F. R. AGENTS*

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

May 2, 1930
St. 6577.

SUBJECT: Form 105, Condition Report of State Bank Members

Dear Sir:

Instructions issued in August 1928 (form 105-a) covering the preparation of condition reports on form 105 by state bank and trust company members of the Federal Reserve System provide that real estate mortgage bonds and participation certificates should be reported against item 4, "Other bonds, stocks, and securities owned (Schedule G)." In reviewing this question further, it would seem that as real estate mortgages are required to be reported as loans in item 1 of the condition report, a participation in a mortgage should likewise be reported among loans.

At the time of printing the condition report forms for the use of member banks in submitting their spring call reports, we contemplated revising item 6 of Schedule E to read "Real estate loans, mortgages, deeds of trust, and other liens on real estate, except coupon and registered bonds." This change would require member banks to report all loans and other liens on real estate among loans, except real estate coupon and registered bonds which would be reported against item 1d of Schedule G. The change was deferred, however, until we could determine approximately to what extent it would affect the comparability of loan and investment figures heretofore reported.

It will be appreciated, therefore, if you will advise us of the various types of real estate financing followed in your district and give us a general idea, based on information shown in the examination reports or obtainable elsewhere, of the approximate amount of real estate liens which have been included in investments, subdividing the figures if practicable into participation certificates, coupon and registered bonds and other liens (to be specified and defined if necessary). If practicable we should like to have you indicate with respect to each such item whether it is classified or considered as a loan or as an investment by the state banking department. We shall also appreciate any comments that you may desire to make with regard to the proposed change.

Very truly yours,

E. L. Smead, Chief,
Division of Bank Operations.

TO ALL FEDERAL RESERVE AGENTS*

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

May 10, 1930.
St. 6586.

SUBJECT: Manual of instructions governing preparation of reports on form E.

Dear Sir:

Referring to our letter St. 6550 of April 7, we are forwarding under separate cover copies of the revised manual of instructions governing the preparation of reports on Form E.

It is expected that Form E will be received from the printer about the middle of this month, at which time a supply will be furnished your bank.

Very truly yours,

E. L. Smead, Chief,
Division of Bank Operations.

TO GOVERNORS OF ALL F. R. BANKS*

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

May 26, 1930
St. 6603

SUBJECT: Special Daily Report for June 1930
Member Bank Vault Cash and Currency
in Transit.

Dear Sir:

The Committee on Bank Reserves of the Federal Reserve System, in studying the cash holdings of member banks and their relation to the reserve problem as a whole, finds that available data are not sufficient to enable the Committee to obtain a comprehensive understanding of fluctuations in these holdings, especially those which occur from day to day during the week. The Committee, therefore, feels that it is highly essential that additional information be compiled along this line and requests that you have each member bank in your district report its cash holdings on each day of the month of June, 1930. It is suggested that the information be collected on blanks similar to form St. 6601, attached to this letter.

As it is our policy at the present time to avoid publicity in connection with the work of the Committee on Bank Reserves, there is only a general indication on the form of the purpose of collecting this information. It is felt that these figures will prove useful both to the Federal reserve banks and to the Federal Reserve Board in connection with current studies of recent changes in the public demand for currency, as well as to the Committee on Bank Reserves.

In order that our information on this subject may be as complete as practicable, it is also requested that you arrange to have the cash department of your bank and of each of your branches report its daily currency shipments and receipts for the period June 1 to July 2, as called for in the attached form St. 6602, a supply of which is being sent you under separate cover.

We shall appreciate very much your cooperation in placing form St. 6601 in the hands of member banks as promptly as possible, and it will also be appreciated if you will see that the memorandum at the bottom of the form is properly filled out at your bank (or branch) before the reports are sent to the Committee.

Very truly yours,

E. L. Smead,
Chairman, Committee on Bank Reserves.

Enclosures

TO ALL FEDERAL RESERVE AGENTS*

Name of member bank _____ City _____ State _____ F. R. District No. ___ St. 6601

Gentlemen:

Will you kindly fill out on the following blank the amount of cash held by your bank on each day during June 1930 and forward the completed report to this bank as soon after the end of the month as practicable. This request, which is being sent to all member banks in order to ascertain what changes take place from day to day during the week in vault cash requirements of member banks in different geographical regions, will aid the Federal Reserve Board materially in its current investigation into the changing demand of the public for currency.

CASH IN VAULT (In dollars - omit cents)

June 1930	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Please enter the actual amount of cash held by your bank each day during June 1930 on date line indicated.	2 _____	3 _____	4 _____	5 _____	6 _____	7 _____
	9 _____	10 _____	11 _____	12 _____	13 _____	14 _____
	16 _____	17 _____	18 _____	19 _____	20 _____	21 _____
	23 _____	24 _____	25 _____	26 _____	27 _____	28 _____
	30 _____					

Vault cash includes all gold, silver, and subsidiary coin, all paper currency held by your bank, both at head office and branches, and cash in transit between head office and branches at close of business each day. Vault cash reported should not include cash items or currency in transit from or to Federal reserve banks or branches.

NOTE: Federal Reserve Bank will please indicate whether currency is received by member bank on day of shipment or on subsequent days as follows:

- ☐ Current day, including over the counter points
- ☐ One day point
- ☐ Two day point
- ☐ Three day point

Signed _____
Cashier or Treasurer

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CURRENCY SHIPMENTS BETWEEN FEDERAL RESERVE BANK (OR BRANCH) OF _____ St. 6602
AND MEMBER AND NONMEMBER BANKS

Please enter below in the appropriate table the amount of currency, including coin and notes, shipped or received by the Federal Reserve Bank (or Branch) to or from member and nonmember banks on each day from June 1 to July 2, Separate tables are provided for receipts and for shipments, and for one day and two day points, respectively. As the purpose of this request is to supply information on the amount of currency in transit between member and nonmember banks and the reserve banks, counter payments and receipts and shipments reaching member banks or the Federal reserve banks during banking hours on the day of shipment, as well as receipts from and shipments to the Treasury, should not be included in these figures.

CURRENCY SHIPMENTS--One day points (In dollars - omit cents)

June 1930	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Enter for each day total shipments of currency to member and nonmember banks so situated that currency will be received the following day	2_____	3_____	4_____	5_____	6_____	7_____
	9_____	10_____	11_____	12_____	13_____	14_____
	16_____	17_____	18_____	19_____	20_____	21_____
	23_____	24_____	25_____	26_____	27_____	28_____
	30_____					

CURRENCY SHIPMENTS--Two day points

June 1930	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Enter for each day total shipments of currency to member and nonmember banks so situated that currency will be received on the second day following shipment	2_____	3_____	4_____	5_____	6_____	7_____
	9_____	10_____	11_____	12_____	13_____	14_____
	16_____	17_____	18_____	19_____	20_____	21_____
	23_____	24_____	25_____	26_____	27_____	28_____
	30_____					

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CURRENCY RECEIPTS--One day points

St. 6602a

June 1930	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Enter for each day total currency receipts from member and non-member banks which were shipped the preceding day	2	3	4	5	6	7
	9	10	11	12	13	14
	16	17	18	19	20	21
	23	24	25	26	27	28
	30	July 1				

CURRENCY RECEIPTS--Two day points

June 1930	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Enter for each day total currency receipts from member and non-member banks which were shipped two days before receipt	2	3	4	5	6	7
	9	10	11	12	13	14
	16	17	18	19	20	21
	23	24	25	26	27	28
	30	July 1	July 2			

3 day points: If you have any 3 day currency points, please fill out a similar statement for shipments to and receipts from banks at such points.

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FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

May 27, 1930
St. 6606

SUBJECT: Form E - Functional Expense Report

Dear Sir:

There are being forwarded to you today under separate cover copies of revised Form E, in accordance with the reply received to our letter, St. 6344, of October 8, 1929. It will be appreciated if you will follow the revised Manual of Instructions sent you under date of May 10 in the preparation of reports on Form E for the first six months of 1930.

Very truly yours,

E. L. Smead, Chief,
Division of Bank Operations.

TO ALL GOVERNORS*

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

May 28, 1930
St. 6609

SUBJECT: F. R. notes of other banks held by F.R. banks on weekly statement dates.

Dear Sir:

As you were advised in our today's telegram, the Board's weekly statement of condition of the Federal reserve banks will, beginning with this week, show Federal reserve notes of other banks separately from uncollected items. We are, therefore, enclosing herewith a statement showing the amount of Federal reserve notes of other banks held by the twelve Federal reserve banks combined on each weekly statement date from May 29, 1929 to May 21, 1930, inclusive, also the amount of uncollected items exclusive of Federal reserve notes of other banks.

Very truly yours,

E. L. Smead, Chief,
Division of Bank Operations.

Enclosure

TO ALL FEDERAL RESERVE AGENTS*

FEDERAL RESERVE NOTES OF OTHER BANKS AND UNCOLLECTED ITEMS REVISED*
MAY 29, 1929, TO MAY 21, 1930.
(In thousands of dollars)

St. 6609a

1929		F. R. notes of other banks	Uncollected items
May	29	16,884	639,044
June	5	19,372	704,333
	12	18,264	728,048
	19	20,200	791,897
	26	20,146	656,457
July	3	18,907	791,985
	10	22,702	693,749
	17	24,294	797,832
	24	26,564	691,616
	31	29,563	649,209
Aug.	7	30,488	634,153
	14	29,660	754,498
	21	32,318	680,191
	28	32,669	615,826
Sept.	4	36,770	680,110
	11	27,902	713,383
	18	25,046	885,916
	25	26,774	723,655
Oct.	2	24,688	791,632
	9	25,243	708,397
	16	26,828	1,022,985
	23	29,105	747,509
	30	28,076	744,879
Nov.	6	28,587	684,897
	13	27,897	910,362
	20	32,785	756,615
	27	28,031	648,888
Dec.	4	28,268	661,650
	11	28,518	654,249
	18	30,990	839,391
	24	31,859	744,687
	31	42,148	706,588

1930		F. R. notes of other banks	Uncollected items
Jan.	8	41,334	633,601
	15	39,626	705,297
	22	30,679	629,637
	29	29,670	543,350
Feb.	5	26,147	568,331
	12	23,693	627,119
	19	24,896	627,028
	26	25,868	652,330
Mar.	5	26,727	604,960
	12	21,635	617,867
	19	23,880	682,023
	26	22,283	559,911
Apr.	2	17,971	628,023
	9	16,764	571,250
	16	19,028	717,552
	23	19,506	629,664
	30	20,968	585,651
May	7	20,564	586,852
	14	18,654	705,492
	21	20,958	610,080

*Beginning with May 28, 1930, the F. R. Board's weekly condition statement of the F. R. Banks will show F. R. notes of other F. R. Banks separately from "Uncollected items."

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

May 28, 1930
St. 6610

SUBJECT: Distribution of Eligible paper among Individual Member Banks

Dear Sir:

There is enclosed herewith for your information a memorandum on eligible paper which was prepared for the Board from the data received from the Federal reserve banks in response to the Board's letter St. 6470 of January 24, 1930.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

Enclosure

TO ALL GOVERNORS AND F. R. AGENTS*

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

June 4, 1930
St.6618

SUBJECT: Reports for June 1930 of Member Bank Vault Cash.

Dear Sir:

Under date of May 26 you were requested in letter St. 6603 to have each member bank in your district report its cash holdings on each day of the month of June on a blank similar to form St. 6601 attached to that letter. It will be of considerable assistance to the Committee on Bank Reserves if you will have the data reported by the member banks summarized according to class of bank and according to the distance of the bank from its Federal reserve bank or branch, and submit the following summaries on the same form as that used by the member banks:

1. Total by classes of banks

   (a) Central reserve city banks in each central reserve city
   (b) Reserve city banks in each reserve city
   (c) Country banks in each state
   (d) All member banks in district

2. Totals according to location of member banks

   (a) Local banks, i.e., banks which customarily obtain currency over counter of reserve bank or branch
   (b) Banks located in current day points, excluding banks to which payments are customarily made over the counter
   (c) Banks located in 1 day points
   (d) Banks located in 2 day points
   (e) Banks located in 3 day points

It is requested that the number of banks embraced in each group be shown on the summary sheet covering that group. It is also requested that the reports of the individual member banks, when transmitted to the Committee, be arranged first according to location

of member banks with respect to their Federal reserve banks and branches (i.e. local, 1, 2 and 3 day points), and second (within each such group) according to states and according to cities alphabetically. If convenient, will you also arrange to have the name of the appropriate Federal reserve branch stamped on the report of each member bank that obtains its currency from a branch.

It will be appreciated if you will kindly submit the desired summaries and accompanying individual reports to the Committee as early as practicable in July. If you should experience difficulty in obtaining the information from a few member banks, it is suggested that preliminary summaries exclusive of such banks, together with the individual reports, be forwarded promptly, to be followed by complete summaries later.

Very truly yours,

E. L. Smead,
Chairman, Committee on Bank Reserves.

TO ALL FEDERAL RESERVE AGENTS*

FEDERAL RESERVE BOARD

WASHINGTON

June 5, 1930
St. 6619

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

SUBJECT: Payment of Dividends on
June 30, 1930

Dear Sir:

In submitting the usual semi-annual resolution of your board of directors with reference to the payment of the June 30 dividend, kindly furnish the Board with statement showing the following information as of May 31 for (1) suspended banks, and (2) member banks considered to be in a seriously overextended condition:

Name and location of bank.
Unpaid indebtedness to Federal reserve bank
Probable loss to Federal reserve bank

Very truly yours,

E. M. McClelland,
Assistant Secretary.

LETTER TO ALL CHAIRMEN*

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

June ~~10~~ 12, 1930
St. 6623

SUBJECT: Operating Efficiency at the
Federal Reserve Banks.

Dear Sir:

For your information there is enclosed herewith a copy of the Board's statement, St. 6231, sent you under date of June 27, 1929, to which have now been added figures for the year 1929.

This statement indicates for the head offices of the Federal reserve banks the output per employee and per unit of cost in those departments for which a measured service is shown in the functional expense reports, form E.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

Enclosure

TO GOVERNORS AND CHAIRMEN OF
ALL FEDERAL RESERVE BANKS*

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

June 13, 1930.
St. 6631.

SUBJECT: Condition Reports of State Bank Members, Form 105.

Dear Sir:

There are being forwarded to you today under separate cover copies of form 105. Kindly hold the blank forms at your bank until receipt of telegraphic notice from the Board, whereupon three copies should be mailed to each state bank and trust company member with the request that the forms be held pending receipt of a call for condition reports. It is suggested that in your letter transmitting the blanks you call the banks' attention to the instructions previously furnished governing the preparation of the condition reports, so that if any bank has mislaid its copy of the instructions another copy may be promptly furnished for its use. Upon receipt of notice from the Board of the call for condition reports, kindly notify the banks thereof by mail and request them to fill out the reports and mail them to you promptly - in no case later than 10 days after receipt of the call.

The reports should as usual be examined and checked before being forwarded to the Board, in accordance with the procedure previously outlined.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

TO ALL F. R. AGENTS*