

## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-6712

September 18, 1930.

Dear Sir:

In view of the very interesting jurisdictional question involved, I respectfully invite your attention to the decision of the United States Circuit Court of Appeals in the case of Omaha National Bank v. Federal Reserve Bank of Kansas City et al, 26 Federal (2nd) 884.

Mr. Leedy has written me as follows with reference to this case:

"In this case the Federal Reserve Bank of Kansas City is virtually in the position of a stakeholder. The Omaha National Bank is seeking to recover the sum of \$60,000.00 from the Wyoming National Bank of Casper, Wyoming, and to establish an equitable title to, or lien upon, a credit on the books of our Omaha Branch in favor of the Wyoming National Bank in that amount. The suit arises out of the following facts: On July 7, 1924, the First National Bank of Cheyenne was in a failing condition. It had a deposit balance with the Omaha National Bank in excess of \$60,000.00, but the same largely represented uncollected funds. On that day the First National Bank of Cheyenne telegraphed the Omaha National Bank to charge its account with \$60,000.00, and to transfer that amount to the credit of the Wyoming National Bank of Casper on the books of our Omaha Branch. This wire was received too late for handling on July 7, but at the opening of business on July 8, the Omaha National Bank charged the account of the First National Bank of Casper as requested, and directed our Omaha Branch to charge its account with a like sum, and to credit the amount to the Wyoming National Bank. This was done. On July 9, 1924, the First National Bank of Cheyenne suspended business, and its affairs were later placed in the possession of a receiver. Certain stockholders of the First National Bank of Cheyenne were also stockholders of the Wyoming National Bank, and up to a short time before its suspension the First National Bank was largely indebted to the Wyoming National Bank. During a period of thirty days immediately prior to the failure, the First National Bank paid large amounts to the Wyoming National Bank, making withdrawals from its other correspondents for the purpose, and at the time of the suspension the indebtedness was almost, if not entirely paid, if the \$60,000.00 transfer is allowed to stand.

"It is the contention of the Omaha National Bank that a conspiracy existed between the officers of the First National Bank and the Wyoming National Bank to liquidate the indebtedness due the Wyoming National Bank at the expense of the Omaha National Bank. As the matter stands the Omaha National Bank has actually suffered a loss, for the uncollected items against

which the transfer was made were never collected by it. On account of the alleged conspiracy and fraud the right is claimed to rescind the transaction and to recover the amount of the credit.

"Pending the outcome of the litigation an injunction was issued against our Omaha Branch restraining any disposition of the credit, and of course it has since been held intact.

"The sole question in the case, so far as we are concerned, is whether the United States District Court for the District of Nebraska has jurisdiction of the action. Jurisdiction, if it exists, is founded on Section 57 of the Judicial Code. If the credit balance on the books of the Omaha Branch constitutes a res within the meaning of that Section, and if the Federal Reserve Bank of Kansas City is not such a party to the litigation as to require the existence of some one of the statutory grounds of jurisdiction as between it and the complainant, the action is properly maintainable in the District Court for Nebraska; otherwise not. If the court has jurisdiction we can suffer no possible loss, but if it is without jurisdiction and the funds should be awarded to the Omaha National Bank, and we should pay the same to that bank under the court's decree, I am not satisfied that if the Wyoming National Bank should afterwards bring a suit against us for the amount so paid, that the decree would operate as a bar to such a suit.

"The District Court in 1928 sustained a motion of the Wyoming National Bank to dismiss the bill for want of jurisdiction. An appeal was taken from that ruling, and it was reversed by the United States Circuit Court of Appeals. The opinion on that appeal is reported in 26 Fed. (2nd) 884, and for your ready reference I am sending you a copy of the same herewith.

"The case was tried on its merits in July of last year and resulted in a judgment for the Omaha National Bank, but for a less amount than it sought to recover. Both of the real parties perfected an appeal, and in order to preserve the jurisdictional question we also appealed. The case is now set for hearing in the United States Circuit Court of Appeals at Omaha for October 13th.

"The records and briefs have been prepared and filed, and I am sending you a copy of each of them."

I have requested Mr. Leedy to furnish me with enough copies of his brief in this case to enable me to furnish copies to Counsel for all Federal reserve banks if Mr. Leedy has sufficient copies available.

Very truly yours,

Walter Wyatt,  
General Counsel.